

**SCHOOL DISTRICT OF
BOROUGH OF STANHOPE**

**Borough of Stanhope School District
Stanhope, New Jersey**

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2011**

**Comprehensive Annual
Financial Report**

of the

**Borough of Stanhope School District
Board of Education**

Stanhope, New Jersey

For the Fiscal Year Ended June 30, 2011

Prepared by

**Borough of Stanhope School District
Board of Education**

BOROUGH OF STANHOPE SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2011

INTRODUCTORY SECTION

| | |
|--------------------------------|---|
| Letter of Transmittal..... | 1 |
| Organizational Chart..... | 5 |
| Roster of Officials..... | 6 |
| Consultants and Advisors | 7 |

FINANCIAL SECTION 8

| | |
|-----------------------------------|---|
| Independent Auditors' Report..... | 9 |
|-----------------------------------|---|

| | |
|---|----|
| Required Supplementary Information | 11 |
| Management's Discussion and Analysis (Unaudited)..... | 12 |

| | |
|--|----|
| Basic Financial Statements (Sections A and B)..... | 20 |
|--|----|

| | |
|---|----|
| A. District-Wide Financial Statements | 21 |
| A-1 Statement of Net Assets..... | 22 |
| A-2 Statement of Activities | 23 |

| | |
|--|----|
| B. Fund Financial Statements | 25 |
| B-1 Balance Sheet – Governmental Funds..... | 26 |
| B-2 Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds | 27 |
| B-3 Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities..... | 28 |
| B-4 Statement of Net Assets – Proprietary Funds..... | 29 |
| B-5 Statement of Revenue, Expenses and Changes in Fund Net Assets – Proprietary Funds..... | 30 |
| B-6 Statement of Cash Flows – Proprietary Funds | 31 |
| B-7 Statement of Fiduciary Net Assets – Fiduciary Funds | 32 |
| B-8 Statement of Changes in Fiduciary Net Assets – Fiduciary Funds (Not Applicable) | 33 |

| | |
|---|----|
| Notes to the Basic Financial Statements | 34 |
|---|----|

Supplementary Schedules (C.-I.)

| | |
|---|----|
| C. Budgetary Comparison Schedules | 54 |
| C-1 Budgetary Comparison Schedule – General Fund | 55 |
| C-2 Budgetary Comparison Schedule - Special Revenue Fund | 65 |
| C-3 Required Supplementary Information - Budgetary Comparison Schedule – Note to RSI..... | 66 |

| | |
|--|----|
| D. School Level Schedules (Not Applicable) | 68 |
|--|----|

| | |
|--|----|
| E. Special Revenue Fund..... | 69 |
| E-1 Combining Schedule of Program Revenue and Expenditures - Special Revenue Fund – Budgetary Basis | 70 |
| E-2 Preschool Education Aid Schedule of Expenditures – Budgetary Basis (Not Applicable) | 72 |

BOROUGH OF STANHOPE SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

FINANCIAL SECTION (Cont'd)

| | |
|---|----|
| F. Capital Projects Fund | 73 |
| F-1 Summary Schedule of Revenue, Expenditures and Changes in Fund Balance | 74 |
| F-1A Schedule of Project Revenues, Expenditures, Project Balance and Project Status | 75 |
| G. Proprietary Funds (Enterprise Fund)..... | 76 |
| G-1 Statement of Net Assets..... | 77 |
| G-2 Statement of Revenue, Expenses and Changes in Fund Net Assets..... | 78 |
| G-3 Statement of Cash Flows..... | 79 |
| H. Fiduciary Funds..... | 80 |
| H-1 Combining Statement of Net Assets..... | 81 |
| H-2 Statement of Changes in Fiduciary Net Assets (Not Applicable) | 82 |
| H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements | 83 |
| H-4 Payroll Agency Fund Schedule of Receipts and Disbursements..... | 84 |
| I. Long-Term Debt..... | 85 |
| I-1 Schedule of Serial Bonds..... | 86 |
| I-2 Schedule of Obligations under Capital Leases..... | 87 |
| I-3 Debt Service Fund Budgetary Comparison Schedule | 88 |

Statistical Schedules

| | |
|--|-----|
| J. Statistical Section (Unaudited)..... | 89 |
| J-1 Net Assets by Component | 90 |
| J-2 Changes in Net Assets..... | 91 |
| J-3 Fund Balances - Governmental Funds | 93 |
| J-4 Changes in Fund Balances - Governmental Funds..... | 94 |
| J-5 General Fund Other Local Revenue by Source..... | 96 |
| J-6 Assessed Value and Actual Value of Taxable Property | 97 |
| J-7 Direct and Overlapping Property Tax Rates..... | 98 |
| J-8 Principal Property Taxpayers, Current Year and Nine Years Ago..... | 99 |
| J-9 Property Tax Levies and Collections | 100 |
| J-10 Ratios of Outstanding Debt by Type..... | 101 |
| J-11 Ratios of Net General Bonded Debt Outstanding | 102 |
| J-12 Ratios of Overlapping Governmental Activities Debt | 103 |
| J-13 Legal Debt Margin Information | 104 |
| J-14 Demographic and Economic Statistics..... | 105 |
| J-15 Principal Employers, Current Year and Nine Years Ago..... | 106 |
| J-16 Full-time Equivalent District Employees by Function/Program | 107 |
| J-17 Operating Statistics..... | 108 |
| J-18 School Building Information..... | 109 |
| J-19 Schedule of Required Maintenance..... | 110 |
| J-20 Insurance Schedule..... | 111 |

BOROUGH OF STANHOPE SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

| | | |
|-----|--|-----|
| K. | Single Audit Section | 112 |
| K-1 | Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> | 113 |
| K-2 | Independent Auditors' Report on Compliance with Requirements that could have a Direct and material effect on each Major Program and on Internal Control over Compliance In Accordance with OMB Circular A-133 and New Jersey's OMB Circular NJOMB 04-04..... | 115 |
| | Schedule of Expenditures of Federal Awards | 117 |
| | Schedule of Expenditures of State Awards | 118 |
| | Notes to the Schedules of Expenditures of Federal and State Awards..... | 119 |
| | Schedule of Findings and Questioned Costs | 121 |
| | Summary Schedule of Prior Audit Findings | 122 |

INTRODUCTORY SECTION

**STANHOPE SCHOOL DISTRICT
BOARD OFFICE**

*24 Valley Road
Stanhope, New Jersey 07874
973-347-5010
FAX: 973-347-8368*

November 4, 2011

The Honorable President and Members of
the Board of Education
Borough of Stanhope School District
County of Sussex, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Borough of Stanhope School District (the "District") for the fiscal year ended June 30, 2011, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial statements, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the Independent Auditors' Report, the management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and the New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, are included in the single audit section of this report.

1) **REPORTING ENTITY AND ITS SERVICES:** The Borough of Stanhope School District is an independent reporting entity within the criteria adopted by the Government Accounting Standards Board ("GASB") in codification section 2100. All funds of the District are included in this report. The Borough of Stanhope School District and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels K through 8. These include regular, vocational, as well as special education for handicapped students. The District completed the 2010-2011 fiscal year with an enrollment of 395 students, which is two students more than the previous year's enrollment.

The Honorable President and Members of
the Board of Education
Borough of Stanhope School District
Page 2
November 4, 2011

The table below details the changes in the student enrollment of the District over the last seven years:

| <u>Fiscal Year</u> | <u>Average Daily Enrollment</u> | <u>Percent Change</u> |
|--------------------|---------------------------------|-----------------------|
| 2010-2011 | 395 | 0.51% |
| 2009-2010 | 393 | 5.36% |
| 2008-2009 | 373 | -4.85% |
| 2007-2008 | 392 | -0.51% |
| 2006-2007 | 394 | -5.06% |
| 2005-2006 | 415 | 4.53% |
| 2004-2005 | 397 | -8.94% |

2) ECONOMIC CONDITION AND OUTLOOK: The Borough of Stanhope occupies 2.2 square miles at the southern tip of Sussex County, bordering Morris County. The Borough was established in 1904 and has been identified as being a "limited growth area" in various master plans developed for the State of New Jersey by our Municipality.

Commercial land uses consisting of retail shops, professional and commercial offices and other consumer-oriented activities account for approximately 28 acres. There has been an effort to rejuvenate the Main Street shopping area by development proposals in the industrial area of the Borough. Industrial land use occupies a very small portion of the Borough, approximately 12 acres. There are currently 1,363 residences and 9 apartments in the Borough and 161 parcels of vacant land for a total net taxable value with improvements of \$350,361,100.

3) MAJOR INITIATIVES: There are three major initiatives for the 2011-12 school year. The curriculum is currently in the process of being further aligned with the most recent Core Curriculum Content standards, and learning targets in each subject area are being specifically articulated with regard to these standards. In addition, the World Languages curriculum is being expanded to offer the students exposure to multiple languages to enable them to make more informed choices for their high school experience.

In keeping with New Jersey's new legislation involving Harassment, Intimidation and Bullying, our school has further developed and expanded its Character Education program. Numerous assemblies and in-class group discussions have been conducted, and there has been an introduction of monthly themes centered on student values.

The further integration of technology into both the curriculum and the profile of the school has been a significant focus. There are plans to revamp the school website and upgrade the student information system to allow for more effective communication at the school. This will promote more complete interchange between parents, students, faculty and interested members of the community, and allow posting of the most current information regarding events, curriculum and classroom events in addition to student grades and attendance.

BEFORE & AFTER SCHOOL CARE: The Board of Education has provided the support, cooperation and facilities for before school and after school extended care programs. B.A.S.C. Inc., provides extended care for our students from 7:00 a.m. to the opening of school and from dismissal to 6:00 p.m. for working parents. This program will maintain these hours for the 2011-2012 school year at the Valley Road School.

Honorable President and Members of
the Board of Education
Borough of Stanhope School District
Page 3
November 4, 2011

4) INTERNAL ACCOUNTING CONTROLS: Management of the District is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial. The statements in conformity with generally accepted accounting principles (GAAP). The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state awards, the District also is responsible for ensuring that an adequate internal control system is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system is also subject to periodic evaluation by the District's management.

As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control system, including that portion related to major federal and state award programs, as well as to determine that the District has complied with applicable laws, regulations, contracts and grants.

5) BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as fund balance restrictions, commitments and assignments at June 30, 2011.

6) ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect generally accepted accounting principles, as promulgated by the GASB. The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Basic Financial Statements", Note 1.

7) DEBT ADMINISTRATION: At June 30, 2011, the District has \$3,284,000 of outstanding bonded debt.

8) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements", Note 3. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

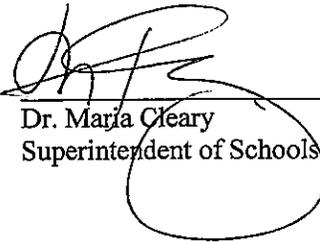
9) RISK MANAGEMENT: The Board carries various forms of commercial insurance, including, but not limited to, general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. A schedule of insurance coverage is found on Exhibit J-20.

The Honorable President and Members of
the Board of Education
Borough of Stanhope School District
Page 4
November 4, 2011

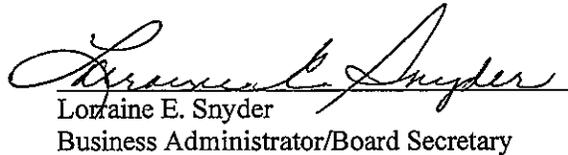
10) OTHER INFORMATION: Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related OMB Circular A- 133, *Audits of States, Local Governments, and Nonprofit Organizations*, and the New Jersey’s OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditors’ report on the basic financial statements and specific required supplementary information are included in the financial section of this report. The auditors’ reports related specifically to the single audit are included in the single audit section of this report.

11) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Borough of Stanhope School District Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of the financial and accounting staff.

Respectfully submitted,

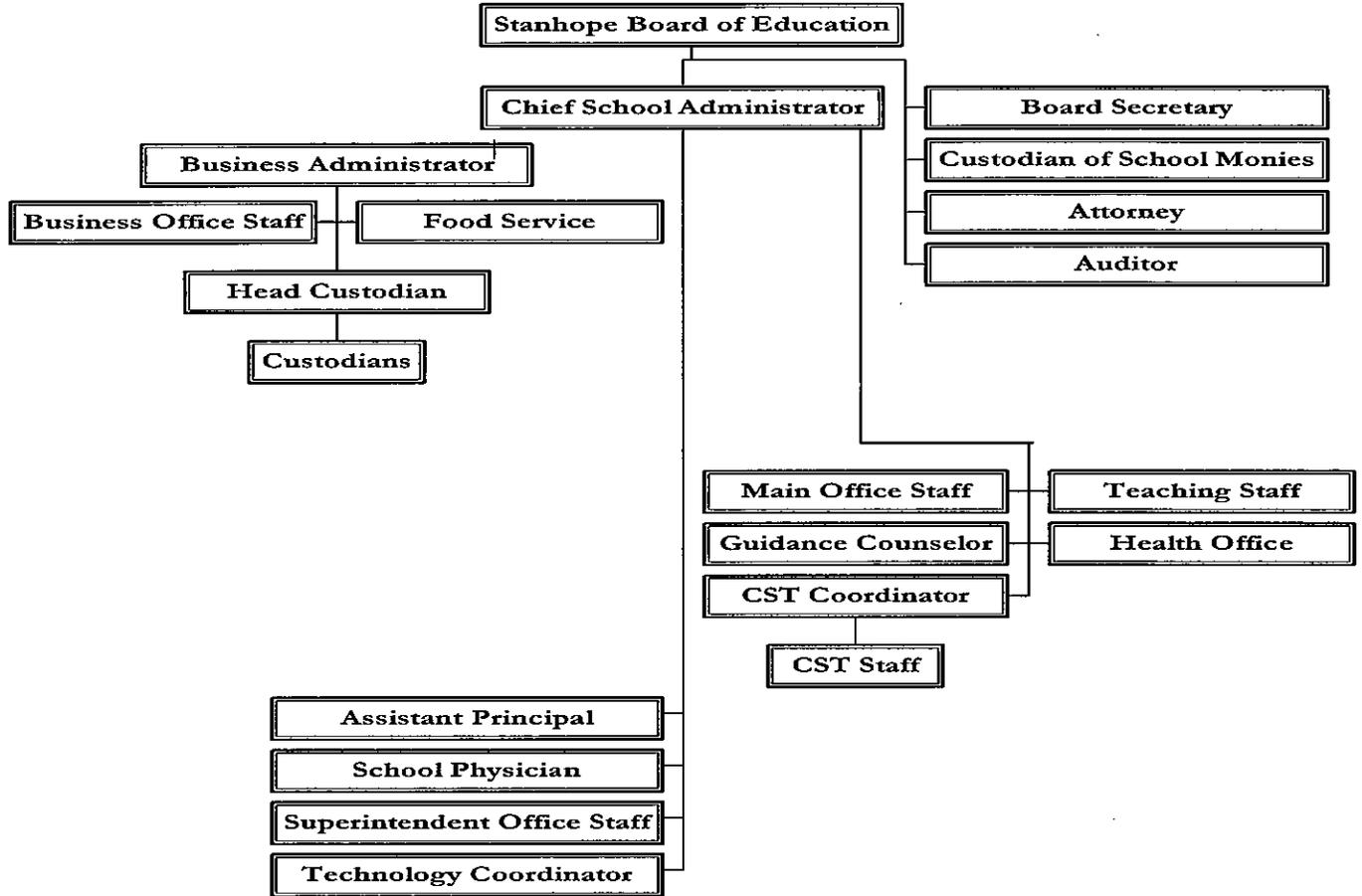


Dr. Maria Cleary
Superintendent of Schools



Lorraine E. Snyder
Business Administrator/Board Secretary

Stanhope Board of Education Organizational Chart 2010-2011



**BOROUGH OF STANHOPE SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2011**

| <u>Members of the Board of Education</u> | <u>Term Expires</u> |
|--|---------------------|
| Regina Thomas, President | 2012 |
| Gil Moscatello, Vice-President | 2012 |
| Michael Bender | 2014 |
| Gene Wronko | 2013 |
| Michael Stiner | 2013 |
| William Sturdevant | 2012 |

| <u>Other Officers</u> | <u>Title</u> |
|-----------------------|---|
| Dennis Fyffe | Interim Superintendent of Schools (Until 6/30/11) |
| Dr. Maria Cleary | Superintendent/Principal (From 7/1/11) |
| Lorraine E. Snyder | Business Administrator/Board Secretary |
| SallyAnn G. McCarty | Treasurer of School Monies |

BOROUGH OF STANHOPE BOARD OF EDUCATION

Consultants and Advisors

Audit Firm

Nisivoccia LLP, CPAs
Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mount Arlington, New Jersey 07856-1320

Nisivoccia LLP, CPAs
Lawrence Business Park
11 Lawrence Road
Newton, New Jersey 07860

Attorney

Porzio, Bromberg & Newman, P.C.
100 Southgate Parkway
P. O. Box 1997
Morristown, New Jersey 07962

Architect of Record

Design Ideas Group
15 Bethany Street
New Brunswick, New Jersey 08901

Official Depository

TD Bank
56 Flanders-Bartley Road
Flanders, New Jersey 07836

Construction Management

MJA Construction Services
1 Iron Mountain Road
Mine Hill, New Jersey 07803

FINANCIAL SECTION



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0507 Fax

Lawrence Business Center
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555 Fax

Independent Auditors' Report

The Honorable President and Members
 of the Board of Education
 Borough of Stanhope School District
 County of Sussex, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Borough of Stanhope School District (the "District") in the County of Sussex as of and for the fiscal year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Borough of Stanhope School District in the County of Sussex as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2011 on our consideration of the Board of Education of the Borough of Stanhope School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

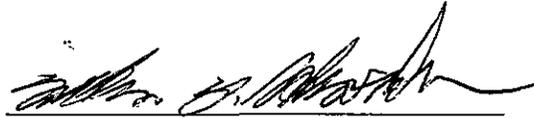
The Management's Discussion and Analysis and Budgetary Comparison Information listed on Exhibits C-1 to C-3 and I-3 are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Honorable President and Members
of the Board of Education
Borough of Stanhope School District
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Education of the Borough of Stanhope School District's basic financial statements. The accompanying introductory section, supplementary schedules such as the combining and individual fund financial statements and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, the schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*; and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are not a required part of the basic financial statements. The supplementary schedules and schedules of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

November 4, 2011
Mount Arlington, New Jersey

NISIVOCCIA, LLP



William F. Schroeder
Licensed Public School Accountant #2112
Certified Public Accountant

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)**

This section of Borough of Stanhope School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2011. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

Financial Highlights

- The District's financial status is stable on a district wide basis, despite State Aid cuts in the current fiscal year.
- Overall revenue was \$5.87 million.
- Overall expenses were \$5.64 million.
- Enrollment in the District increased approximately 0.51%.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more* detail than the District-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- *Proprietary funds* statements offer *short- and long-term* financial information about the activities the District operates like a business, such as food services.
- *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1

Organization of the School District's Financial Report

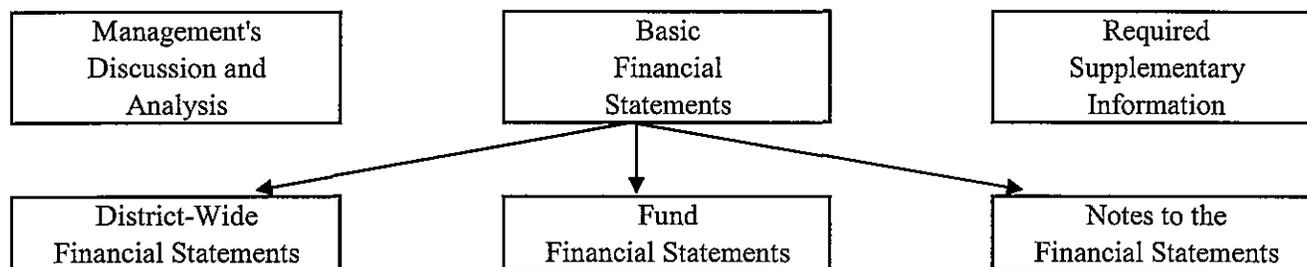


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents of each of the statements.

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

| | District-Wide Statements | Fund Financial Statements | | |
|--|--|--|---|---|
| | | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| Scope | Entire District (except fiduciary funds) | The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance | Activities the District operates similar to private businesses: food services | Instances in which the District administers resources on behalf of someone else, such as student activities monies. |
| Required Financial Statements | <ul style="list-style-type: none"> • Statement of net assets • Statement of activities | <ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances | <ul style="list-style-type: none"> • Statement of net assets • Statement of revenue, expenses, and changes in net assets • Statement of cash flows | <ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets |
| Accounting Basis and Measurement Focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| Type of Asset/Liability Information | All assets and liabilities, both financial and capital, short-term and long-term | Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included | All assets and liabilities, both financial and capital, short-term and long-term | All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can |
| Type of Inflow/Outflow Information | All revenue and expenses during the year, regardless of when cash is received or paid | Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable | All revenue and expenses during the year, regardless of when cash is received or paid | All additions and deductions during the year, regardless of when cash is received or paid |

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's food service is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenue (such as federal grants).

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.
- *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. *Internal service funds* (the other kind of proprietary fund) report activities that provide supplies and services for other programs and activities. The District currently does not maintain any internal service funds.
- *Fiduciary funds*: The District is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

- *Notes to Financial Statements:* Provide additional information essential to a full understanding of the District-wide and fund financial statements.

Financial Analysis of the District as a Whole

Net Assets. The District's combined net assets increased by \$231,689. Net assets from governmental activities increased by \$228,142 and net assets from business-type activities increased by \$3,547. Net assets invested in capital assets decreased by \$163,908, restricted net assets increased by \$304,247, and unrestricted net assets increased by \$91,350.

Figure A-3

Condensed Statement of Net Assets

| | Government Activities | | Business-Type Activities | | Total School District | | Percentage |
|---|-----------------------|---------------------|--------------------------|------------------|-----------------------|---------------------|-------------------|
| | 2010/11 | 2009/10 | 2010/11 | 2009/10 | 2010/11 | 2009/10 | Change 2010/11 |
| Current and | | | | | | | |
| Other Assets | \$ 660,262 | \$ 342,848 | \$ 32,841 | \$ 38,014 | \$ 693,103 | \$ 380,862 | 81.98% |
| Capital Assets | 6,386,588 | 6,555,453 | 8,775 | 9,818 | 6,395,363 | 6,565,271 | -2.59% |
| Total Assets | <u>7,046,850</u> | <u>6,898,301</u> | <u>41,616</u> | <u>47,832</u> | <u>7,088,466</u> | <u>6,946,133</u> | 2.05% |
| Long-Term Debt | | | | | | | |
| Outstanding | 3,509,439 | 3,545,086 | | | 3,509,439 | 3,545,086 | -1.01% |
| Other Liabilities | 158,983 | 202,929 | 5,794 | 15,557 | 164,777 | 218,486 | -24.58% |
| Total Liabilities | <u>3,668,422</u> | <u>3,748,015</u> | <u>5,794</u> | <u>15,557</u> | <u>3,674,216</u> | <u>3,763,572</u> | 2.43% |
| Net Assets: | | | | | | | |
| Invested in Capital Assets, Net of Related Debt | 2,903,588 | 3,066,453 | 8,775 | 9,818 | 2,912,363 | 3,076,271 | -5.33% |
| Restricted | 391,249 | 87,002 | | | 391,249 | 87,002 | 349.70% |
| Unrestricted/ (Deficit) | <u>83,591</u> | <u>(3,169)</u> | <u>27,047</u> | <u>22,457</u> | <u>110,638</u> | <u>19,288</u> | 473.61% |
| Total Net Assets | <u>\$ 3,378,428</u> | <u>\$ 3,150,286</u> | <u>\$ 35,822</u> | <u>\$ 32,275</u> | <u>\$ 3,414,250</u> | <u>\$ 3,182,561</u> | 7.28% |

Changes in Net Assets. The District's combined net assets were \$3,414,250 on June 30, 2011, an increase of \$231,689 or 7.28% more than they were the year before. This was primarily due to unexpended General Fund budget appropriations of \$180,646, which is net of funds assigned for encumbrances, and excess local sources revenue of \$18,312. (See Figure A-3).

Figure A-4

Changes in Net Assets from Operating Results

| | Governmental | Business- | Governmental | Business- | Total | Total | Percentage |
|--|-------------------|-----------------|---------------------|-------------------|-------------------|---------------------|----------------|
| | Activities | Type | Activities | Type | School | School | |
| | 2010/11 | 2010/11 | 2009/10 | 2009/10 | District | District | Change |
| | | | | | 2010/11 | 2009/10 | 2010/11 |
| Revenue: | | | | | | | |
| Program Revenue: | | | | | | | |
| Charges for Services | | \$ 75,235 | | \$ 73,769 | \$ 75,235 | \$ 73,769 | 1.99% |
| Operating Grants and Contributions | \$ 743,390 | 26,539 | \$ 781,492 | 30,064 | 769,929 | 811,556 | -5.13% |
| General Revenue: | | | | | | | |
| Property Taxes | 3,790,192 | | 3,694,669 | | 3,790,192 | 3,694,669 | 2.59% |
| Unrestricted State and Federal Aid Transfers | 1,168,958 | | 1,143,658 | | 1,168,958 | 1,143,658 | 2.21% |
| Other | 58,344 | 4,534 | 107,172 | 51 | 62,878 | 107,223 | -41.36% |
| Total Revenue | 5,760,884 | 106,308 | 5,726,991 | 103,884 | 5,867,192 | 5,830,875 | 0.62% |
| Expenses: | | | | | | | |
| Instruction | 3,092,773 | | 3,374,735 | | 3,092,773 | 3,374,735 | -8.36% |
| Pupil and Instruction Services | 781,959 | | 1,252,482 | | 781,959 | 1,252,482 | -37.57% |
| Administrative and Business | 766,566 | | 791,991 | | 766,566 | 791,991 | -3.21% |
| Maintenance and Operations | 332,052 | | 331,466 | | 332,052 | 331,466 | 0.18% |
| Transportation | 125,763 | | 137,515 | | 125,763 | 137,515 | -8.55% |
| Capital Outlay | 95,238 | | 1,000 | | 95,238 | 1,000 | 9423.80% |
| Transfers | 51,218 | | | | 51,218 | | 100.00% |
| Other | 287,173 | 102,761 | 340,010 | 111,361 | 389,934 | 451,371 | -13.61% |
| Total Expenses | 5,532,742 | 102,761 | 6,229,199 | 111,361 | 5,635,503 | 6,340,560 | -11.12% |
| Increase/(Decrease) in Net Assets | | | | | | | |
| | \$ 228,142 | \$ 3,547 | \$ (502,208) | \$ (7,477) | \$ 231,689 | \$ (509,685) | 145.46% |

Revenue Sources. The District's total revenue for the 2010/11 school year was \$5,867,192. (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$3,790,192 of the total, or 64.60 percent. (See Figure A-5). Another 33.05 percent came from state and federal aid and the remainder from miscellaneous sources and charges for services.

Figure A-5

Sources of Revenue for Fiscal Year 2011

| | Amount | Percentage |
|--------------------------------------|---------------------|----------------|
| Sources of Income: | | |
| State Formula Aid | \$ 1,168,958 | 19.93% |
| Property Taxes | 3,790,192 | 64.60% |
| Federal and State Categorical Grants | 769,929 | 13.12% |
| Charges for Services | 75,235 | 1.28% |
| Other | 62,878 | 1.07% |
| | \$ 5,867,192 | 100.00% |

The total cost of all programs and services was \$5,635,503. The District's expenses are predominantly related to instructing and providing pupil services (68.76 percent). (See Figure A-6). The District's administrative and business activities accounted for 13.60 percent of total costs. The most significant contributor to the cost of Maintenance and Operations was energy costs.

Figure A-6

Expenses for Fiscal Year 2011

| Expense Category: | Amount | Percentage |
|--------------------------------|---------------------|----------------|
| Instruction | \$ 3,092,773 | 54.88% |
| Pupil and Instruction Services | 781,959 | 13.88% |
| Administrative and Business | 766,566 | 13.60% |
| Maintenance and Operations | 332,052 | 5.89% |
| Transportation | 125,763 | 2.23% |
| Capital Outlay | 95,238 | 1.69% |
| Other | 441,152 | 7.83% |
| | <u>\$ 5,635,503</u> | <u>100.00%</u> |

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District increased. Maintaining existing programs with a slight increase in enrollment and the provision of special programs and services for disabled pupils, combined with rising salary, benefits and energy costs, place great demands on the District's resources.

Careful management of expenses remains essential for the District to sustain its financial health. Among the many significant cost savings actions implemented during the year were:

- The maintenance staff does many projects in-house.
- Cost comparisons are made on a continuous basis by the Business Administrator in order to assure savings in major expense areas.
- Efforts are made to keep purchase increases within the 2% cap.
- Cash flow is carefully monitored due to tight budgetary guidelines.

It is crucial that the District examine its expenditures carefully. Staff, parental and student demands for salary increases, activities, small class sizes and programs must be evaluated thoroughly. District resources are at their tightest level in a decade. Figure A-7 presents the cost of seven major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, capital outlay and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs).

The net cost shows the financial burden placed on the District's taxpayers by each of these functions:

Figure A-7

Net Cost of Governmental Activities

| | Total Cost of Services | Net Cost of Services | Total Cost of Services | Net Cost of Services |
|--------------------------------|---------------------------|-------------------------|---------------------------|-------------------------|
| | <u>2010/11</u> | <u>2010/11</u> | <u>2009/10</u> | <u>2009/10</u> |
| Instruction | \$ 3,092,773 | \$ 2,432,581 | \$ 3,103,531 | \$ 2,713,387 |
| Pupil and Instruction Services | 781,959 | 746,648 | 781,801 | 1,181,754 |
| Administrative and Business | 766,566 | 732,545 | 766,566 | 759,790 |
| Maintenance and Operations | 332,052 | 332,052 | 332,052 | 331,466 |
| Transportation | 125,763 | 111,897 | 125,763 | 120,300 |
| Capital Outlay | 95,238 | 95,238 | 52,750 | 1,000 |
| Other | 338,391 | 338,391 | 338,391 | 340,010 |
| | <u>\$ 5,532,742</u> | <u>\$ 4,789,352</u> | <u>\$ 5,500,854</u> | <u>\$ 5,447,707</u> |

Business-Type Activities

Net assets from the District's business-type activity increased by \$3,547. (Refer to Figure A-4).

- Food services revenue exceeded expenditures, accounting for all of the increase in the net assets of the business-type activities. This was mainly due to an increase in student participation.

Financial Analysis of the District's Funds

The District's financial position increased on a district wide basis despite difficult economic times and decreases in State aid. As the demographics of our geographic area change, additional student needs and expenses arise. Difficult economic times and recent legislation have had a direct impact upon the District's revenue sources.

All of these factors are likely to continue for the next several years. To maintain a stable financial position, the District must continue to practice sound fiscal management, including efficiency/cost containment practices, evaluation of services and programs, energy conservation, and seeking additional sources of revenues.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. These budget amendments are due to changes made within budgetary line items for changes in school-based needs for programs, supplies and equipment.

Capital Asset and Debt Administration

Figure A-8

| | Capital Assets (Net of Depreciation) | | | | | | Percentage Change 2010/11 |
|---|--------------------------------------|---------------------|--------------------------|-----------------|-----------------------|---------------------|---------------------------------|
| | Government Activities | | Business-Type Activities | | Total School District | | |
| | 2010/11 | 2009/10 | 2010/11 | 2009/10 | 2010/11 | 2009/10 | |
| Sites | \$ 526,300 | \$ 526,300 | | | \$ 526,300 | \$ 526,300 | 0.00% |
| Site Improvements | 402 | 517 | | | 402 | 517 | -22.24% |
| Buildings and Building Improvements | 5,806,649 | 5,958,289 | | | 5,806,649 | 5,958,289 | -2.55% |
| Machinery and Equipment | 53,237 | 70,347 | \$ 8,775 | \$ 9,818 | 62,012 | 80,165 | -22.64% |
| Total Capital Assets (Net of Depreciation) | <u>\$ 6,386,588</u> | <u>\$ 6,555,453</u> | <u>\$ 8,775</u> | <u>\$ 9,818</u> | <u>\$ 6,395,363</u> | <u>\$ 6,565,271</u> | <u>-2.59%</u> |

Long-term Debt

At year-end, the District had \$3,284,000 in general obligation bonds outstanding – a decrease of \$205,000 from last year – as shown in Figure A-9. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.)

Figure A-9

| | Outstanding Long-Term Debt | | |
|---|----------------------------|---------------------|---------------------------------|
| | Total School District | | Percentage Change 2010/11 |
| | 2010/11 | 2009/10 | |
| General Obligation Bonds (Financed with Property Taxes) | \$ 3,284,000 | \$ 3,489,000 | -5.88% |
| Other Long-Term Debt | 225,439 | 56,086 | 301.95% |
| | <u>\$ 3,509,439</u> | <u>\$ 3,545,086</u> | <u>-1.01%</u> |

The District continued to pay down its bonded debt, retiring \$205,000 of outstanding bonds. In fiscal year 2010/11 compensated absences decreased by \$29,647. The District also had a capital lease payable of \$199,000.

Factors Bearing on the District's Future Revenue/Expense Changes

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- Keeping within the 2% cap levy is challenging but is viewed as an opportunity to review resource allocation and structure.
- The addition of a Facilities Manager will allow better management of our facilities as well as cost savings to the district through better management of utilities.
- The District plans to review plans for the use of the Linden Avenue School as a possible source of revenue.
- Shared services where possible are being used where cost savings are realized without impact to the importance of continuity, certification and performance.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Education Office, 24 Valley Road, Stanhope, New Jersey 07874.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

BOROUGH OF STANHOPE SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

| | <u>Governmental</u> <u>Activities</u> | <u>Business-type</u> <u>Activities</u> | <u>Total</u> |
|--|--|---|---------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 486,349 | \$ 30,256 | \$ 516,605 |
| Internal Balances | 790 | (675) | 115 |
| Receivables from State Government | 43,727 | 85 | 43,812 |
| Receivables from Federal Government | 28,956 | 1,664 | 30,620 |
| Receivables from Other Governments | 28,069 | | 28,069 |
| Other Receivables | 1,439 | | 1,439 |
| Inventories | | 1,511 | 1,511 |
| Prepaid Expenses | 931 | | 931 |
| Restricted Assets: | | | |
| Capital Reserve Account - Cash | 100,001 | | 100,001 |
| Capital Assets, Net | | | |
| Sites (Land) | 526,300 | | 526,300 |
| Depreciable Site Improvements, Buildings and Building Improvements and Machinery and Equipment | <u>5,860,288</u> | <u>8,775</u> | <u>5,869,063</u> |
| Total Assets | <u>7,076,850</u> | <u>41,616</u> | <u>7,118,466</u> |
| LIABILITIES | | | |
| Accrued Interest Payable | 26,858 | | 26,858 |
| Accounts Payable | 131,664 | 5,333 | 136,997 |
| Payable to Federal Government | 11 | | 11 |
| Deferred Revenue | 30,450 | 461 | 30,911 |
| Noncurrent Liabilities: | | | |
| Due Within One Year | 251,711 | | 251,711 |
| Due Beyond One Year | <u>3,257,728</u> | | <u>3,257,728</u> |
| Total Liabilities | <u>3,698,422</u> | <u>5,794</u> | <u>3,704,216</u> |
| NET ASSETS | | | |
| Invested in Capital Assets, Net of Related Debt | 2,903,588 | 8,775 | 2,912,363 |
| Restricted for: | | | |
| Capital Projects | 187,515 | | 187,515 |
| Debt Service | 79,599 | | 79,599 |
| Other Purposes | 124,135 | | 124,135 |
| Unrestricted | <u>83,591</u> | <u>27,047</u> | <u>110,638</u> |
| Total Net Assets | <u>\$ 3,378,428</u> | <u>\$ 35,822</u> | <u>\$ 3,414,250</u> |

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF STANHOPE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| Functions/Programs | Expenses | Program Revenue | | | Net (Expense) Revenue and Changes in Net Assets | |
|--|---------------------|-------------------------|--|----------------------------|--|--------------------|
| | | Charges for Services | Operating Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Governmental Activities: | | | | | | |
| Instruction: | | | | | | |
| Regular | \$ 1,977,670 | | \$ 231,229 | \$ (1,746,441) | | \$ (1,746,441) |
| Special Education | 1,004,839 | | 417,591 | (587,248) | | (587,248) |
| Other Special Instruction | 109,874 | | 9,855 | (100,019) | | (100,019) |
| Other Instruction | 390 | | 1,517 | 1,127 | | 1,127 |
| Support Services: | | | | | | |
| Tuition | 292,257 | | | (292,257) | | (292,257) |
| Student & Instruction Related Services | 489,702 | | 35,311 | (454,391) | | (454,391) |
| General Administrative Services | 412,143 | | 20,967 | (391,176) | | (391,176) |
| School Administrative Services | 117,036 | | 1,227 | (115,809) | | (115,809) |
| Central Services | 187,071 | | 11,827 | (175,244) | | (175,244) |
| Administrative Information Technology | 50,316 | | | (50,316) | | (50,316) |
| Plant Operations and Maintenance | 332,052 | | | (332,052) | | (332,052) |
| Pupil Transportation | 125,763 | | 13,866 | (111,897) | | (111,897) |
| Interest on Long-Term Debt | 135,003 | | | (135,003) | | (135,003) |
| Capital Outlay | 95,238 | | | (95,238) | | (95,238) |
| Transfer of Funds to Charter School | 51,218 | | | (51,218) | | (51,218) |
| Unallocated Depreciation | 152,170 | | | (152,170) | | (152,170) |
| Total Governmental Activities | 5,532,742 | | 743,390 | (4,789,352) | | (4,789,352) |
| Business-Type Activities: | | | | | | |
| Food Service | 102,761 | \$ 75,235 | 26,539 | | \$ (987) | \$ (987) |
| Total Business-Type Activities | 102,761 | 75,235 | 26,539 | | (987) | (987) |
| Total Primary Government | \$ 5,635,503 | \$ 75,235 | \$ 769,929 | (4,789,352) | (987) | (4,790,339) |

BOROUGH OF STANHOPE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenue</u> | | | <u>Net (Expense) Revenue and Changes in Net Assets</u> | |
|--|-----------------|---------------------------------|---|------------------------------------|--|---------------------|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
| General Revenues: | | | | | | |
| Taxes: | | | | | | |
| Property Taxes, Levied for General Purposes, Net | | | | \$ 3,448,588 | | \$ 3,448,588 |
| Taxes Levied for Debt Service | | | | 341,604 | | 341,604 |
| Tuition Charges | | | | 20,826 | | 20,826 |
| Federal and State Aid not Restricted | | | | 1,168,958 | | 1,168,958 |
| Investment Earnings | | | | 1,233 | \$ 40 | 1,273 |
| Miscellaneous Income | | | | 36,285 | | 36,285 |
| Cancellation of Interfund Payable - General Fund | | | | | 4,494 | 4,494 |
| | | | | <u>5,017,494</u> | <u>4,534</u> | <u>5,022,028</u> |
| | | | | | | |
| | | | | 228,142 | 3,547 | 231,689 |
| | | | | | | |
| Net Assets - Beginning | | | | <u>3,150,286</u> | <u>32,275</u> | <u>3,182,561</u> |
| Net Assets - Ending | | | | <u>\$ 3,378,428</u> | <u>\$ 35,822</u> | <u>\$ 3,414,250</u> |

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

FUND FINANCIAL STATEMENTS

BOROUGH OF STANHOPE SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

| | General Fund | Special Revenue Fund | Capital Projects Fund | Debt Service Fund | Total Governmental Funds |
|--|-------------------|----------------------------|-----------------------------|-------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and Cash Equivalents | \$ 299,213 | | \$ 187,135 | \$ 1 | \$ 486,349 |
| Interfund Receivable | 30,672 | | | | 30,672 |
| Receivables From State Government | 43,727 | | | | 43,727 |
| Receivables From Federal Government | 7,091 | \$ 21,865 | | | 28,956 |
| Receivables From Other Governments | 28,069 | | | | 28,069 |
| Other Receivables | 1,439 | | | | 1,439 |
| Prepaid Expenses | 931 | | | | 931 |
| Restricted Cash and Cash Equivalents | 100,001 | | | | 100,001 |
| Total Assets | \$ 511,143 | \$ 21,865 | \$ 187,135 | \$ 1 | \$ 720,144 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Interfund Payable | | \$ 15,359 | \$ 14,523 | | \$ 29,882 |
| Accounts Payable | \$ 119,669 | 6,495 | 5,500 | | 131,664 |
| Payable to Federal Government | | 11 | | | 11 |
| Deferred Revenue | 30,450 | | | | 30,450 |
| Total Liabilities | 150,119 | 21,865 | 20,023 | 1 | 192,007 |
| Fund Balances: | | | | | |
| Restricted: | | | | | |
| Capital Reserve Account | 100,001 | | | | 100,001 |
| Debt Service Principal Payment on Lease Purchase | | | 79,598 | | 79,598 |
| Debt Service Fund | | | | \$ 1 | 1 |
| Excess Surplus | 88,416 | | | | 88,416 |
| Committed: | | | | | |
| Capital Projects Fund | | | 87,514 | | 87,514 |
| Assigned | | | | | |
| Other Purposes | 35,719 | | | | 35,719 |
| Unassigned | 136,888 | | | | 136,888 |
| Total Fund Balances | 361,024 | 21,865 | 167,112 | 1 | 528,137 |
| Total Liabilities and Fund Balances | \$ 511,143 | \$ 21,865 | \$ 187,135 | \$ 1 | \$ 720,144 |
| Amounts Reported for <i>Governmental Activities</i> in the Statement of Net Assets (A-1) are Different Because: | | | | | |
| Total Fund Balances from above | | | | | 528,137 |
| Capital Assets Used in Governmental Activities are not Financial Resources and Therefore are not Reported in the Funds. The Cost of the Assets is \$8,529,938 and the Accumulated Depreciation is \$2,143,350. | | | | | 6,386,588 |
| Interest on Long-Term Debt is not Accrued in the Governmental Funds, but Rather is Recognized as an Expenditure When Due. | | | | | (26,858) |
| Long-Term Liabilities are not Due and Payable in the Current Period and Therefore are not Reported as Liabilities in the Funds. | | | | | (3,509,439) |
| Net Assets of Governmental Activities | | | | | \$ 3,378,428 |

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF STANHOPE SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | General Fund | Special Revenue Fund | Capital Projects Fund | Debt Service Fund | Total Governmental Funds |
|--|-------------------|----------------------------|-----------------------------|-------------------------|--------------------------------|
| REVENUES: | | | | | |
| Local Sources: | | | | | |
| Local Tax Levy | \$ 3,448,588 | | | \$ 341,604 | \$ 3,790,192 |
| Tuition from Other LEAs | 20,826 | | | | 20,826 |
| Unrestricted Miscellaneous Revenue | 37,486 | | \$ 32 | | 37,518 |
| Total - Local Sources | 3,506,900 | | 32 | 341,604 | 3,848,536 |
| State Sources | 1,721,737 | | | | 1,721,737 |
| Federal Sources | 24,045 | \$ 166,566 | | | 190,611 |
| Total Revenues | 5,252,682 | 166,566 | 32 | 341,604 | 5,760,884 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| Regular Instruction | 1,398,314 | 23,755 | | | 1,422,069 |
| Special Education Instruction | 633,752 | 128,965 | | | 762,717 |
| Other Special Instruction | 78,897 | | | | 78,897 |
| School-Sponsored/Other Instruction | 11,087 | | | | 11,087 |
| Support Services and Undistributed Costs: | | | | | |
| Tuition | 292,257 | | | | 292,257 |
| Student and Other Instruction Related Services | 394,408 | 3,246 | | | 397,654 |
| General Administration Services | 335,210 | | | | 335,210 |
| School Administration Services | 103,755 | | | | 103,755 |
| Central Services | 139,810 | | | | 139,810 |
| Administrative Information Technology | 50,316 | | | | 50,316 |
| Plant Operations and Maintenance | 303,873 | | | | 303,873 |
| Student Transportation | 125,763 | | | | 125,763 |
| Unallocated Benefits | 1,088,022 | | | | 1,088,022 |
| Debt Service: | | | | | |
| Principal | | | | 205,000 | 205,000 |
| Interest and Other Charges | | | | 136,604 | 136,604 |
| Capital Outlay | 53,385 | 10,600 | \$ 31,888 | | 95,873 |
| Transfer of Funds to Charter School | 51,218 | | | | 51,218 |
| Total Expenditures | 5,060,067 | \$ 166,566 | 31,888 | 341,604 | 5,600,125 |
| Excess/(Deficit) of Revenue Over/(Under) Expenditures | 192,615 | | (31,856) | | 160,759 |
| OTHER FINANCING SOURCES/(USES): | | | | | |
| Transfers In | 32 | | | | 32 |
| Transfers Out | | | (32) | | (32) |
| Lease Purchase Agreement Proceeds | | | 199,000 | | 199,000 |
| Total Other Financing Sources/(Uses) | 32 | | 198,968 | | 199,000 |
| Net Change in Fund Balances | 192,647 | | 167,112 | | 359,759 |
| Fund Balance - July 1 | 168,377 | | | 1 | 168,378 |
| Fund Balance - June 30 | \$ 361,024 | \$ -0- | \$ 167,112 | \$ 1 | \$ 528,137 |

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF STANHOPE SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ 359,759

Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation and deleted assets exceeded capital outlays in the period.

| | | |
|---|--------------|-----------|
| Depreciation expense | \$ (169,500) | |
| Deleted Assets, net of accumulated depreciation | (9,562) | |
| Capital outlays | 10,197 | |
| | | (168,865) |

In the statement of activities, certain operating expenses, e.g., compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+). 29,647

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. When the accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+). 1,601

Repayment of serial bonds payable is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Assets and is not reported in the Statement of Activities. 205,000

Leases entered into by the District are an other financing source in the Governmental Funds, but the acquisition increases Long-Term Liabilities in the Statement of Net Assets and is not reported in the Statement of Activities (199,000)

Change in Net Assets of Governmental Activities \$ 228,142

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF STANHOPE SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

| | Business-type Activities - Enterprise Funds <u>Food Service</u> |
|--|--|
| <u>ASSETS:</u> | |
| Current Assets: | |
| Cash and Cash Equivalents | \$ 30,256 |
| Intergovernmental Accounts Receivable: | |
| State | 85 |
| Federal | 1,664 |
| Inventories | <u>1,511</u> |
| Total Current Assets | <u>33,516</u> |
| Non-Current Assets: | |
| Capital Assets | 29,438 |
| Less: Accumulated Depreciation | <u>(20,663)</u> |
| Total Non-Current Assets | <u>8,775</u> |
| Total Assets | <u>42,291</u> |
| <u>LIABILITIES:</u> | |
| Current Liabilities: | |
| Interfund Payable | 675 |
| Accounts Payable | 5,333 |
| Deferred Revenue | <u>461</u> |
| Total Liabilities | <u>6,469</u> |
| <u>NET ASSETS:</u> | |
| Investment in Capital Assets Net of Related Debt | 8,775 |
| Unrestricted | <u>27,047</u> |
| Total Net Assets | <u>\$ 35,822</u> |

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF STANHOPE SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | Business-type Activities - Enterprise Funds <u>Food Service</u> |
|--|--|
| Operating Revenue: | |
| Local Sources: | |
| Daily Sales - Reimbursable Programs | \$ 49,557 |
| Daily Sales - Non-Reimbursable Programs | <u>25,678</u> |
| Total Operating Revenue | <u>75,235</u> |
| Operating Expenses: | |
| Cost of Sales | 46,865 |
| Salaries, Benefits & Payroll Taxes | 40,441 |
| Supplies, Insurance & Other Costs | 7,084 |
| Management Fee | 7,328 |
| Depreciation Expense | <u>1,043</u> |
| Total Operating Expenses | <u>102,761</u> |
| Operating Loss | (27,526) |
| Non-Operating Income: | |
| Local Sources: | |
| Interest Income | 40 |
| State Sources: | |
| State School Lunch Program | 1,062 |
| Federal Sources: | |
| National School Lunch Program | 22,521 |
| Food Distribution Program | <u>2,956</u> |
| Total Non-Operating Income | <u>26,579</u> |
| Change in Net Assets before Other Items | (947) |
| Cancellation of Interfund Payable - General Fund | <u>4,494</u> |
| Change in Net Assets | 3,547 |
| Net Assets - Beginning of Year | <u>32,275</u> |
| Net Assets - End of Year | <u>\$ 35,822</u> |

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF STANHOPE SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | Business-type Activities - Enterprise Funds Food Service |
|---|---|
| Cash Flows from Operating Activities: | |
| Receipts from Customers | \$ 75,235 |
| Payments to Food Service Contractor | (97,824) |
| Payments to Suppliers | (10,457) |
| | (33,046) |
| Net Cash Used for Operating Activities | (33,046) |
| Cash Flows from Financing Activities: | |
| Interest Income | 40 |
| | 40 |
| Net Cash Provided by Financing Activities | 40 |
| Cash Flows by Noncapital Financing Activities: | |
| Interfund Returned - General Fund | 16,172 |
| | 16,172 |
| Net Cash Provided by Noncapital Financing Activities | 16,172 |
| Net Decrease in Cash and Cash Equivalents | (16,834) |
| Cash and Cash Equivalents, July 1 | 47,090 |
| Cash and Cash Equivalents, June 30 | \$ 30,256 |
| Reconciliation of Operating Loss to Net Cash Used for Operating Activities: | |
| Operating Loss | \$ (27,526) |
| Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities: | |
| Depreciation | 1,043 |
| Food Distribution Program | 2,956 |
| Changes in Assets and Liabilities: | |
| Increase in Deferred Revenue | 10 |
| (Decrease) in Accounts Payable | (9,774) |
| Decrease in Inventory | 245 |
| | 245 |
| Net Cash Used for Operating Activities | \$ (33,046) |

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund Received U.S.D.A. Donated Commodities Through the Food Distribution Program Valued at \$2,966 and Utilized Commodities Valued at \$2,956.

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF STANHOPE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2011

| | Agency |
|-------------------------------------|-----------|
| <u>ASSETS:</u> | |
| Cash and Cash Equivalents | \$ 29,397 |
| Total Assets | 29,397 |
| <u>LIABILITIES:</u> | |
| Payroll Deductions and Withholdings | 24,669 |
| Interfund Payable - General Fund | 115 |
| Due to Student Groups | 4,613 |
| Total Liabilities | \$ 29,397 |

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF STANHOPE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOT APPLICABLE

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (the "Board") of Borough of Stanhope School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

A. Reporting Entity

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District.

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significances) should be included in the financial reporting entity. The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the District include two elementary schools, located in the Borough of Stanhope. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation:

District-Wide Financial Statements:

The statement of net assets and the statement of activities present financial information about the District's governmental and business type activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. These statements distinguish between the governmental and business type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenue and other nonexchange transactions. Business type activities are financed in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the District.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation (Cont'd)

Fund Financial Statements:

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary and fiduciary - are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models.

The District reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the District and is used to account for and report all expendable financial resources not accounted for and reported in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the capital outlay subfund.

As required by NJDOE, the District includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenue. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expenses by board resolution.

Special Revenue Fund: The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Thus, the Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Governments (other than major or capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted or committed to expenditures for specified purposes.

Capital Projects Fund: The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election, funds appropriated from the General Fund, and from aid provided by the state to offset the cost of approved capital projects.

Debt Service Fund: The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation (Cont'd)

The District reports the following proprietary fund:

Enterprise (Food Service) Fund: The Enterprise Funds account for all revenue and expenses pertaining to the Board's cafeteria operations. The Food Service Fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Additionally, the District reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the District on behalf of others and includes the Student Activities Fund and Payroll Agency Fund.

C. Measurement Focus and Basis of Accounting

The district-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

It is the District's policy, that when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, to apply restricted resources first followed by unrestricted resources. Similarly, within unrestricted fund balance, it is the District's policy to apply committed resources first followed by assigned resources and then unassigned resources when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net assets may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenue.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. Measurement Focus and Basis of Accounting (Cont'd)

Reports for the District's Food Service Fund are prepared following the Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with Governmental Accounting Standards Board (GASB) pronouncements.

D. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets are submitted to the County office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be made by School Board resolution. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not.

The general fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the last two state aid payments for the current year. Since the State is recording the last state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

SDA grants in the Capital Projects Fund are recognized on the budgetary basis when awarded; while on a GAAP basis, revenue is recognized based on actual expenditures and when funds are requested for reimbursement.

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenue and Expenditures:

| | <u>Capital Projects Fund</u> |
|---|----------------------------------|
| Total Fund Balance - Budgetary Basis | 246,713 |
| Reconciliation to Governmental Funds Statements (GAAP): | |
| SDA Grant Receivable not Recognized on GAAP Basis | <u>(79,601)</u> |
| Fund Balance per Governmental Funds (GAAP) | <u>\$ 167,112</u> |

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control (Cont'd)

| | Capital Projects Fund |
|---|--------------------------|
| Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule | \$ 278,633 |
| SDA Grant Revenue not Recognized on GAAP Basis | (79,601) |
| Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds | \$ 199,032 |

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenue and Expenditures:

| | General Fund | Special Revenue Fund |
|--|-----------------|----------------------------|
| Sources/Inflows of Resources: | | |
| Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule | \$ 5,226,219 | \$ 152,995 |
| Differences - Budget to GAAP: | | |
| Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, Whereas the GAAP Basis does not Prior Year Encumbrances | | 13,571 |
| Prior Year State Aid Payments Recognized for GAAP Purposes, Not recognized for Budgetary Statements | 158,050 | |
| Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements | (131,587) | |
| Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | \$ 5,252,682 | \$ 166,566 |

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenue and Expenditures:

| | <u>General Fund</u> | <u>Special Revenue Fund</u> |
|--|-------------------------|-------------------------------------|
| Uses/Outflows of Resources: | | |
| Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule | \$ 5,060,067 | \$ 152,995 |
| Differences - Budget to GAAP: | | |
| Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes. | | |
| Prior Year Encumbrances | | 13,571 |
| Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds | <u>\$ 5,060,067</u> | <u>\$ 166,566</u> |

E. Cash and Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds, amounts in deposits, and short-term investments with original maturities of three months or less.

New Jersey school districts are limited as to the type of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A 17:9-41et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having market value of at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all the other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

F. Interfund Transactions:

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenues. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing source/uses in governmental funds and after non-operating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net assets, except for amounts due between governmental and business-type activities which are presented as internal balances.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

G. Allowance for Uncollectible Accounts:

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

H. Encumbrances:

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as restricted, committed and/or assigned fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund for which the District has received advances are reflected in the balance sheet as deferred revenue at fiscal year end.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

I. Short-term Interfund Receivables/Payables:

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

J. Inventories and Prepaid Expenses:

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund, are recorded as an expenditure during the year of purchase.

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the general or enterprise funds represent payments made to vendors for services that will benefit periods beyond June 30, 2011.

K. Capital Assets:

During the year ended June 30, 1994, the District established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1994, are recorded at historical cost including ancillary charges necessary to place the asset into service. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Land has been recorded at estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs is not capitalized. The District does not possess any infrastructure. Capital assets have been reviewed for impairment.

The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$2,000. The depreciation method is straight-line. The estimated useful lives of capital assets reported in the District-wide statements and proprietary funds are as follows:

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

K. Capital Assets: (Cont'd)

| | <u>Estimated Useful Life</u> |
|---------------------------------|------------------------------|
| Buildings | 50 years |
| Site Improvements | 20 years |
| Furniture and Equipment | 10 to 15 years |
| Computer and Related Technology | 5 years |
| Vehicles | 8 years |

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures in the governmental fund upon acquisition. Fixed assets are not capitalized and the related depreciation is not reported in the fund financial statements.

L. Long Term Liabilities:

In the district-wide and enterprise fund statements of net assets, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise funds. Bond issuance costs, as well as applicable bond premium and discounts, are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, governmental fund types recognize bond issuance costs as expenditures in the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

M. Accrued Salaries and Wages

The District does not allow employees who provide services to the District over the ten-month academic year the option to have their salaries evenly disbursed during the entire twelve month year. Therefore, there are no accrued salaries and wages as of June 30, 2011.

N. Compensated Absences

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), *Accounting for Compensated Absences*. A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

District employees are granted varying amounts of vacation and sick leave in accordance with the District's various employee contracts/agreements. Upon termination, employees are paid for accrued vacation. The District's various employee contracts/agreements permit employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement, employees shall be paid by the District for the unused sick leave in accordance with the District's agreements with the various employee contracts/agreements.

In the district-wide *Statement of Net Assets*, the liabilities, whose average maturities are greater than one year, should be reported in two components – the amount due within one year and the amount due in more than one year.

O. Deferred Revenue

Deferred revenue in the special revenue fund represents cash which has been received but not yet earned.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

P. Fund Balance Appropriated

General Fund: Of the \$361,024 General Fund fund balance at June 30, 2011, \$35,719 is assigned for year end encumbrances; \$100,001 is restricted in the capital reserve account; the \$88,416 is restricted for current year excess surplus in accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, C.73 (S1701) and will be appropriated and included as anticipated revenue for the fiscal year ending June 30, 2013; and there is \$136,888 unassigned fund balance, which is \$131,587 less than the calculated maximum unassigned fund balance due to the final State Aid payments that are not recognized until the fiscal year ending June 30, 2012.

Capital Projects Fund: Of the \$167,112 Capital Projects Fund fund balance at June 30, 2011, \$79,598 is restricted for debt service principal payment on lease purchase; \$87,514 is committed fund balance, on a GAAP basis, which is \$79,601 less than the committed fund balance on a budgetary basis as \$79,601 of the SDA grant receivable is not recognized on the GAAP basis.

Debt Service Fund: The Debt Service Fund has \$1 of restricted fund balance at June 30, 2011.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, C.73 (s1701), the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District has excess surplus as outlined above.

Unassigned fund balance in the General Fund is less on a GAAP basis than budgetary basis in the amount of \$131,587 as of June 30, 2011 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event state school aid payments are not made until the following school budget year, districts must record the last state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last state aid payments in the subsequent fiscal year, the school district cannot recognize these last state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final state aid payments and not the fund balance reported on the fund statement which excludes the last state aid payments noted above.

Q. Net Assets:

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

R. Fund Balance Restrictions, Commitments and Assignments:

The District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during the current fiscal year. The objective of this standard is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions (as detailed in Note 1B). This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the District's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned.

Fund Balance restrictions have been established for excess surplus, a capital reserve and debt service fund.

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has committed resources in the Capital Projects Fund at June 30, 2011.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for year-end encumbrances in the General Fund at June 30, 2011.

S. Revenue - Exchange and Nonexchange Transactions:

Revenue, resulting from exchange transactions in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means within sixty days of the fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

S. Revenue - Exchange and Nonexchange Transactions: (Cont'd)

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes, interest and tuition.

T. Operating Revenue and Expenses:

Operating revenue are those revenues that are generated directly from the primary activity of the Enterprise Fund. For the School District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Enterprise Fund.

U. Management Estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include petty cash, change funds, amounts in deposits, and short-term investments with original maturities of three months or less.

Investments are stated at cost, which approximates market. The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 40, *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures*, requires disclosure of the level of custodial credit risk assumed by the District in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk - In accordance with its cash management plan, the District ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk - The District limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed on the following page.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Deposits:

New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit, and

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Investments:

New Jersey statutes permit the Board to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Investments: (Cont'd)

- (d) the underlying securities are purchased through a public depository as defined in statute; and
- (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2011, cash and cash equivalents and investments of the District consisted of the following:

| | <u>Capital Reserve Account</u> | <u>Cash and Cash Equivalents</u> | <u>Total</u> |
|-------------------|--|--|--------------|
| Checking Accounts | \$ 100,001 | \$ 546,002 | \$ 646,003 |

During the period ended June 30, 2011, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2011, was \$646,003 and the bank balance was \$705,439.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the District by inclusion of \$1 on October 10, 2000 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the State Department of Education, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-5.1(d)7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

| | | |
|--|----|----------------|
| Beginning Balance, July 1, 2010 | \$ | 1 |
| Add: | | |
| Transfer from Unassigned Fund Balance per Board Resolution on May 18, 2011 | | <u>100,000</u> |
| Ending Balance, June 30, 2011 | \$ | <u>100,001</u> |

The balance in the capital reserve account at June 30, 2011 does not exceed the LRFP balance of local support costs of uncompleted capital projects.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 5. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2011 were as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|---------------------|-------------------|---------------------|
| Governmental Activities: | | | | |
| Capital Assets not Being Depreciated: | | | | |
| Sites (Land) | \$ 526,300 | | | \$ 526,300 |
| Total Capital Assets Not Being Depreciated | <u>526,300</u> | | | <u>526,300</u> |
| Capital Assets Being Depreciated: | | | | |
| Site Improvements | 48,100 | | | 48,100 |
| Buildings and Building Improvements | 7,706,753 | | | 7,706,753 |
| Machinery and Equipment | 276,835 | \$ 10,197 | \$ (38,247) | 248,785 |
| Total Capital Assets Being Depreciated | <u>8,031,688</u> | <u>10,197</u> | <u>(38,247)</u> | <u>8,003,638</u> |
| Governmental Activities Capital Assets | <u>8,557,988</u> | <u>10,197</u> | <u>(38,247)</u> | <u>8,529,938</u> |
| Less Accumulated Depreciation for: | | | | |
| Site Improvements | (47,583) | (115) | | (47,698) |
| Buildings and Building Improvements | (1,748,464) | (151,640) | | (1,900,104) |
| Machinery and Equipment | (206,488) | (17,745) | 28,685 | (195,548) |
| | <u>(2,002,535)</u> | <u>(169,500)</u> | <u>28,685</u> | <u>(2,143,350)</u> |
| Governmental Activities Capital Assets, Net of Accumulated Depreciation | <u>\$ 6,555,453</u> | <u>\$ (159,303)</u> | <u>\$ (9,562)</u> | <u>\$ 6,386,588</u> |
| Business Type Activities: | | | | |
| Capital Assets Being Depreciated: | | | | |
| Machinery and Equipment | \$ 29,438 | | | \$ 29,438 |
| Less: Accumulated Depreciation | (19,620) | \$ (1,043) | | (20,663) |
| Business Type Activities Capital Assets, Net of Accumulated Depreciation | <u>\$ 9,818</u> | <u>\$ (1,043)</u> | <u>\$ -0-</u> | <u>\$ 8,775</u> |

The District had active construction projects totaling \$167,115 as of June 30, 2011, consisting of a windows replacement project. This is not included in the schedule above as construction in progress as it does not increase the value of the building.

Depreciation expense was charged to governmental functions as follows:

| | |
|-------------------------------------|-------------------|
| Regular Instruction | \$ 11,754 |
| Support and Administration Services | 1,105 |
| General Administration | 1,105 |
| School Administration | 1,105 |
| Central Services | 1,105 |
| Operations and Maintenance of Plant | 1,156 |
| Unallocated | <u>152,170</u> |
| | <u>\$ 169,500</u> |

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

(Continued)

NOTE 6. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2011, the following changes occurred in liabilities reported in the district-wide financial statements:

| | <u>Balance</u> <u>6/30/2010</u> | <u>Accrued</u> | <u>Retired</u> | <u>Balance</u> <u>6/30/2011</u> |
|------------------------------|------------------------------------|-----------------|-------------------|------------------------------------|
| Serial Bonds Payable | \$ 3,489,000 | | \$ 205,000 | \$ 3,284,000 |
| Capital Leases | | \$ 199,000 | | 199,000 |
| Compensated Absences Payable | 56,086 | 1,564 | 31,211 | 26,439 |
| | <u>\$ 3,545,086</u> | <u>\$ 1,564</u> | <u>\$ 236,211</u> | <u>\$ 3,509,439</u> |

A. Bonds Payable:

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are general obligation bonds.

The District had bonds outstanding as of June 30, 2011 as follows:

| <u>Final Maturity</u> <u>Date</u> | <u>Serial Bonds</u> <u>Interest</u> <u>Rate</u> | <u>Amount</u> |
|--------------------------------------|---|---------------------|
| 4/15/2023 | 3.75%-4.25% | \$ 3,284,000 |
| | | <u>\$ 3,284,000</u> |

Principal and interest due on serial bonds outstanding are as follows:

| <u>Year Ending June 30,</u> | <u>Bonds</u> | | |
|--------------------------------|---------------------|-------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2012 | 215,000 | 128,916 | 343,916 |
| 2013 | 225,000 | 120,854 | 345,854 |
| 2014 | 235,000 | 112,416 | 347,416 |
| 2015 | 245,000 | 103,604 | 348,604 |
| 2016 | 255,000 | 94,416 | 349,416 |
| Thereafter 5 Years (2017-2021) | 1,455,000 | 317,358 | 1,772,358 |
| Thereafter 2 Years (2022-2023) | 654,000 | 41,616 | 695,616 |
| | <u>\$ 3,284,000</u> | <u>\$ 919,180</u> | <u>\$ 4,203,180</u> |

B. Bonds Authorized But Not Issued:

As of June 30, 2011, the Board had no bonds authorized but not issued.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 6. LONG-TERM LIABILITIES (Cont'd)

C. Capital Leases Payable:

The District entered into a \$199,000 lease purchase agreement in December 2010 for the windows replacement project. The capital lease is for a term of five years. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2011.

The current portion of Capital Leases payable at June 30, 2011 is \$36,711 and the long-term portion is \$162,289.

| <u>Year</u> | <u>Amount</u> |
|---|-------------------|
| 2012 | \$ 44,751 |
| 2013 | 44,751 |
| 2014 | 44,751 |
| 2015 | 44,751 |
| 2016 | 44,751 |
| | <u>223,755</u> |
| Less: Amount representing interest | <u>(24,755)</u> |
| Present value of net minimum lease payments | <u>\$ 199,000</u> |

D. Compensated Absences Payable:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. The current portion of the compensated absences balance of the governmental funds is \$-0- and is separated from the long-term liability balance of compensated absences of \$26,439.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2011, no liability existed for compensated absences in the Proprietary Funds.

The General Fund will be used to liquidate the governmental funds Compensated Absences Payable. The bond payments will be paid from the Debt Service Fund.

NOTE 7. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey. These systems are sponsored and administered by the State of New Jersey. The TPAF is considered a cost-sharing, multiple employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other noncontribution employers. The PERS is also considered a cost-sharing, multiple-employer plan.

Employees who are members of TPAF or PERS and retire at or after age according to the relevant tier category for the employee are entitled to a retirement benefit based upon a formula which takes "final average salary" during years of creditable service. Vesting occurs after 8 to 10 years of service. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey regulation. Employee contributions are based on percentages of 5.50% for TPAF and 5.50% for PERS of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits, and post-retirement medical premiums. Under current statute, the District is a noncontributing employer of the TPAF.

District Contributions to PERS amounted to \$42,567, \$32,941, and \$38,738 for the fiscal years ended June 30, 2011, 2010, and 2009, respectively.

During the fiscal years ended June 30, 2011, 2010 and 2009 the State of New Jersey contributed \$-0-, \$-0- and \$-0-, respectively, to the TPAF for normal pension benefits on-behalf of the District.

NOTE 8. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2010, there were 87,288 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS, TPAF and the Alternate Benefit Program who retired from a Board of Education or County College with 25 years of service. The State paid \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members.

The State's on-behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$161,582, \$149,061, and \$151,889 for 2011, 2010 and 2009, respectively. These amounts have been included in the District-wide financial statements and the fund-based statements as revenues and expenditures in accordance with GASB Statement No. 24.

NOTE 9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The District obtains their health benefit coverage through Horizon Blue Cross/Blue Shield of NJ and dental insurance coverage through Delta Dental Plan of NJ.

Property and Liability and Health Benefits

The District is a member of the School Alliance Insurance Fund (the "Fund"). This public entity risk management pool provides general liability, property and automobile coverage and workers' compensation for its members. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. The Fund is a risk-sharing public entity risk pool that is an insured and self-administered group of school boards established for the purpose of providing low-cost insurance for its respective members in order to keep local property taxes to a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Fund are elected.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 9. RISK MANAGEMENT (Cont'd)

Property and Liability and Health Benefits (Cont'd)

As a member of this Fund, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities. The Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment related to the total assessment of the membership body.

The June 30, 2011 audit report for the fund is not available as of the date of this report. Selected, summarized financial information for the Fund as of June 30, 2010 is as follows:

| | <u>School Alliance Insurance Fund</u> |
|--|---|
| Total Assets | \$ 34,204,943 |
| Net Assets | \$ 12,737,759 |
| Total Revenue | \$ 29,467,938 |
| Total Expenses | \$ 29,997,505 |
| Net Income for the Year Ended June 30 | \$ (529,567) |
| Net Assets Distribution to Participating Members | \$ 1,150,000 |

Financial statements for the Fund are available at the Fund's Executive Director's Office:

Public Entity Group Administrative Services
51 Everett Drive
Suite B-40
West Windsor, NJ 08550

New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contributory Method". Under this plan, the District is required to remit employee withholdings to the State on a quarterly basis. All of the District claims are paid by the State.

NOTE 10. ECONOMIC DEPENDENCY

The Board of Education receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Board of Education's programs and activities.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 11. INTERFUND RECEIVABLES AND PAYABLES

| <u>Fund</u> | <u>Interfund Receivable</u> | <u>Interfund Payable</u> |
|-------------------------|---------------------------------|------------------------------|
| General Fund | \$ 30,672 | |
| Capital Projects Fund | | \$ 14,523 |
| Special Revenue Fund | | 15,359 |
| Food Service Fund | | 675 |
| Fiduciary Fund - Agency | | 115 |
| | <u>\$ 30,672</u> | <u>\$ 30,672</u> |

The interfund payable of \$14,523 in the Capital Projects Fund is \$14,500 of capital expenses paid by the General Fund on behalf of the Capital Projects Fund and \$23 of interest earned in the Capital Projects Fund due to the General Fund. Also, the interfund payable of \$15,359 in Special Revenue Fund is due to grant funds not being received during the fiscal year ended June 30, 2011. The interfund payable in the Food Service Fund is an excess amount transferred from the General Fund to the Food Service Fund. The interfund payable in the Fiduciary Fund is \$1,115 of employee health and dental reimbursements due to the General Fund from the Payroll Agency Fund; offset by \$1,000 of Student Activities receipts collected in the General Fund.

NOTE 12. DEFERRED COMPENSATION

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by the entities listed below, permits participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency.

The plan administrators are as follows:

AXA Aquitable
Phoenix

NOTE 13. TAX CALENDAR

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and there is an imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the current and prior year may be placed in lien at a tax sale held after December 10. Taxes are collected by the constituent municipality and are remitted to the local school district on a predetermined mutually agreed-upon schedule.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 14. CONTINGENT LIABILITIESGrant Programs

The School District participates in state and federally assisted grant programs. The programs are subject to program compliance audits by grantors or their representatives. The School District is potentially liable for expenditures which may be disallowed pursuant to terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Litigation

The District is periodically involved in pending lawsuits. The District estimates that any potential claims against it resulting from such litigation and not covered by insurance or recorded as an encumbrance payable would not materially affect the financial statements of the District.

Encumbrances

At June 30, 2011, there were encumbrances as detailed below in the governmental funds. All of the governmental funds are considered to be major funds:

| General Fund | Special Revenue Fund | Capital Projects Fund | Total Governmental Funds |
|-----------------|----------------------------|-----------------------------|--------------------------------|
| \$ 35,719 | \$ -0- | \$ -0- | \$ 35,719 |

NOTE 15. ACCOUNTS PAYABLE

Payables as of June 30, 2011 were:

| | Governmental Activities | | | Total Governmental Funds | Business-Type Activities |
|--------------------------------|-------------------------|----------------------------|-----------------------------|--------------------------------|-----------------------------|
| | General Fund | Special Revenue Fund | Capital Projects Fund | | Proprietary Funds |
| Due to the State of New Jersey | \$ 4,274 | | | \$ 4,274 | |
| Vendors | 115,395 | \$ 6,495 | \$ 5,500 | 127,390 | \$ 5,333 |
| | \$ 119,669 | \$ 6,495 | \$ 5,500 | \$ 131,664 | \$ 5,333 |

NOTE 16: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2011 the District made transfers to capital outlay accounts. \$9,134 of the total transfers related to equipment and therefore did not require approval from the County Superintendent. There was \$53,291 transferred into capital outlay not related to equipment, which was approved by the County Superintendent.

BUDGETARY COMPARISON SCHEDULES

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|--|--------------------|---------------------|------------------|------------------|-----------------------------|
| REVENUES: | | | | | |
| Local Sources: | | | | | |
| Local Tax Levy | \$ 3,448,588 | | \$ 3,448,588 | \$ 3,448,588 | |
| Tuition from Other LEAs | | | | 20,826 | \$ 20,826 |
| Unrestricted Miscellaneous Revenue | 40,000 | | 40,000 | 37,486 | (2,514) |
| Total - Local Sources | 3,488,588 | | 3,488,588 | 3,506,900 | 18,312 |
| State Sources: | | | | | |
| Categorical Special Education Aid | 188,487 | | 188,487 | 188,487 | |
| Equalization Aid | 1,110,882 | | 1,110,882 | 1,110,882 | |
| Categorical Security Aid | 33,666 | | 33,666 | 33,666 | |
| Categorical Transportation Aid | 10,794 | | 10,794 | 10,794 | |
| Extraordinary Aid | 10,682 | | 10,682 | 27,765 | 17,083 |
| Additional Nonpublic Transportation Aid | | | | 1,392 | 1,392 |
| TPAF Non-Contributory Insurance (non-budgeted) | | | | 7,607 | 7,607 |
| On-Behalf Post Retirement Contributions (non-budgeted) | | | | 161,582 | 161,582 |
| Reimbursed TPAF Social Security Contributions (non-budgeted) | | | | 153,099 | 153,099 |
| Total State Sources | 1,354,511 | | 1,354,511 | 1,695,274 | 340,763 |
| Federal Sources: | | | | | |
| ARRA - Education Jobs Fund | | \$ 24,045 | 24,045 | 24,045 | |
| Total Federal Sources | | 24,045 | 24,045 | 24,045 | |
| TOTAL REVENUES | 4,843,099 | 24,045 | 4,867,144 | 5,226,219 | 359,075 |

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | <u>Original Budget</u> | <u>Budget Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actual</u> |
|---|----------------------------|-----------------------------|-------------------------|------------------|-------------------------------------|
| EXPENDITURES: | | | | | |
| CURRENT EXPENSE | | | | | |
| Regular Programs - Instruction: | | | | | |
| Kindergarten - Salaries of Teachers | \$ 157,830 | \$ 485 | \$ 158,315 | \$ 158,315 | |
| Grades 1-5 - Salaries of Teachers | 700,585 | 25,759 | 726,344 | 726,344 | |
| Grades 6-8 - Salaries of Teachers | 397,035 | 52,595 | 449,630 | 449,520 | \$ 110 |
| Regular Programs - Home Instruction: | | | | | |
| Salaries of Teachers | 500 | 5,351 | 5,851 | 3,931 | 1,920 |
| Regular Programs - Undistributed Instruction: | | | | | |
| Purchased Technical Services | | 124 | 124 | | 124 |
| Other Salaries for Instruction | 5,400 | 3,277 | 8,677 | 4,971 | 3,706 |
| Other Purchased Services | | 501 | 501 | 311 | 190 |
| General Supplies | 52,313 | 2,667 | 54,980 | 54,922 | 58 |
| Total Regular Programs - Instruction | <u>1,313,663</u> | <u>90,759</u> | <u>1,404,422</u> | <u>1,398,314</u> | <u>6,108</u> |
| Special Education - Instruction: | | | | | |
| Learning and/or Language Disabilities: | | | | | |
| Salaries of Teachers | 54,165 | 10,546 | 64,711 | 53,865 | 10,846 |
| Other Salaries for Instruction | 50,337 | 34,486 | 84,823 | 76,170 | 8,653 |
| Total Learning and/or Language Disabilities | <u>104,502</u> | <u>45,032</u> | <u>149,534</u> | <u>130,035</u> | <u>19,499</u> |
| Multiple Disabilities: | | | | | |
| Salaries of Teachers | | 55,020 | 55,020 | 36,706 | 18,314 |
| Total Multiple Disabilities | | <u>55,020</u> | <u>55,020</u> | <u>36,706</u> | <u>18,314</u> |
| Resource Room/Resource Center: | | | | | |
| Salaries of Teachers | 362,504 | 17,886 | 380,390 | 380,390 | |
| Total Resource Room/Resource Center | <u>362,504</u> | <u>17,886</u> | <u>380,390</u> | <u>380,390</u> | |

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | <u>Original Budget</u> | <u>Budget Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actual</u> |
|---|----------------------------|-----------------------------|-------------------------|------------------|-------------------------------------|
| EXPENDITURES: | | | | | |
| CURRENT EXPENSE | | | | | |
| Preschool Disabilities - Full-time - Instruction: | | | | | |
| Salaries of Teachers | \$ 52,100 | \$ 2,183 | \$ 54,283 | \$ 54,283 | |
| Other Salaries for Instruction | 38,680 | (7,325) | 31,355 | 31,355 | |
| General Supplies | 1,000 | (17) | 983 | 983 | |
| Total Preschool Disabilities - Part-time - Instruction | <u>91,780</u> | <u>(5,159)</u> | <u>86,621</u> | <u>86,621</u> | |
| Total Special Education Instruction | <u>558,786</u> | <u>112,779</u> | <u>671,565</u> | <u>633,752</u> | <u>\$ 37,813</u> |
| Basic Skills/Remedial - Instruction: | | | | | |
| Salaries of Teachers | 84,460 | (12,571) | 71,889 | 71,889 | |
| Other Salaries for Instruction | | 7,420 | 7,420 | 7,008 | 412 |
| Total Basic Skills/Remedial - Instruction | <u>84,460</u> | <u>(5,151)</u> | <u>79,309</u> | <u>78,897</u> | <u>412</u> |
| School-Sponsored Co-Curricular Activities - Instruction: | | | | | |
| Salaries | 4,845 | 5,100 | 9,945 | 9,945 | |
| Other Objects | | 22 | 22 | 22 | |
| Total School-Sponsored Co-Curricular Activities - Instruction | <u>4,845</u> | <u>5,122</u> | <u>9,967</u> | <u>9,967</u> | |
| School-Sponsored Co-Curricular Athletics - Instruction: | | | | | |
| Salaries | | 1,120 | 1,120 | 1,120 | |
| Total School-Sponsored Co-Curricular Athletics - Instruction | | <u>1,120</u> | <u>1,120</u> | <u>1,120</u> | |
| Total Instruction | <u>1,961,754</u> | <u>204,629</u> | <u>2,166,383</u> | <u>2,122,050</u> | <u>44,333</u> |

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | <u>Original Budget</u> | <u>Budget Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actual</u> |
|---|----------------------------|-----------------------------|-------------------------|----------------|-------------------------------------|
| EXPENDITURES: | | | | | |
| CURRENT EXPENSE | | | | | |
| Undistributed Expenditures: | | | | | |
| Instruction: | | | | | |
| Tuition to Other LEAs Within the State - Special | \$ 384,400 | \$ (292,192) | \$ 92,208 | \$ 84,819 | \$ 7,389 |
| Tuition to Private Schools for the Handicapped - Within State | 330,392 | (78,503) | 251,889 | 207,438 | 44,451 |
| Total Undistributed Expenditures - Instruction | <u>714,792</u> | <u>(370,695)</u> | <u>344,097</u> | <u>292,257</u> | <u>51,840</u> |
| Attendance & Social Work: | | | | | |
| Salaries | | 57,767 | 57,767 | 48,687 | 9,080 |
| Total Attendance & Social Work | | <u>57,767</u> | <u>57,767</u> | <u>48,687</u> | <u>9,080</u> |
| Health Services: | | | | | |
| Salaries | 62,650 | 1,000 | 63,650 | 62,970 | 680 |
| Supplies and Materials | 1,500 | | 1,500 | 1,195 | 305 |
| Total Health Services | <u>64,150</u> | <u>1,000</u> | <u>65,150</u> | <u>64,165</u> | <u>985</u> |
| Speech, OT, PT and Related Services: | | | | | |
| Salaries | 50,000 | 5,410 | 55,410 | 44,925 | 10,485 |
| Total Speech, OT, PT and Related Services | <u>50,000</u> | <u>5,410</u> | <u>55,410</u> | <u>44,925</u> | <u>10,485</u> |
| Other Support Services - Students - Guidance: | | | | | |
| Salaries of Other Professional Staff | 41,996 | (41,996) | | | |
| Total Other Support Services - Students - Regular Services | <u>41,996</u> | <u>(41,996)</u> | | | |
| Other Support Services - Students - Child Study Team: | | | | | |
| Salaries of Other Professional Staff | 69,351 | 94,090 | 163,441 | 153,310 | 10,131 |
| Salaries of Secretarial and Clerical Assistants | 26,306 | (8,706) | 17,600 | 8,976 | 8,624 |

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | <u>Original Budget</u> | <u>Budget Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actual</u> |
|---|----------------------------|-----------------------------|-------------------------|----------------|-------------------------------------|
| EXPENDITURES: | | | | | |
| CURRENT EXPENSE | | | | | |
| Other Support Services - Students - Child Study Team (Cont'd): | | | | | |
| Purchased Professional - Educational Services | \$ 66,000 | \$ 4,143 | \$ 70,143 | \$ 70,143 | |
| Other Purchased Services | | 900 | 900 | 450 | \$ 450 |
| Miscellaneous Purchased Services | 120 | 2,736 | 2,856 | 299 | 2,557 |
| Supplies and Materials | | 892 | 892 | 892 | |
| Total Other Support Services - Students - Child Study Team | <u>161,777</u> | <u>94,055</u> | <u>255,832</u> | <u>234,070</u> | <u>21,762</u> |
| Educational Media Services/School Library: | | | | | |
| Salaries | | 550 | 550 | 550 | |
| Supplies and Materials | 2,000 | (76) | 1,924 | 1,716 | 208 |
| Total Educational Media Services/School Library | <u>2,000</u> | <u>474</u> | <u>2,474</u> | <u>2,266</u> | <u>208</u> |
| Instructional Staff Training Services: | | | | | |
| Other Purchased Services | 2,000 | | 2,000 | 295 | 1,705 |
| Total Instructional Staff Training Services | <u>2,000</u> | | <u>2,000</u> | <u>295</u> | <u>1,705</u> |
| Support Services - General Administration: | | | | | |
| Salaries | 130,517 | 77,794 | 208,311 | 204,922 | 3,389 |
| Legal Services | 20,000 | 1,560 | 21,560 | 21,560 | |
| Audit Fees | 22,000 | (1,000) | 21,000 | 21,000 | |
| Other Purchased Professional Services | | 9,160 | 9,160 | 9,160 | |
| Communications/Telephone | 23,600 | (6,162) | 17,438 | 16,494 | 944 |
| Board of Education Other Purchased Services | | 168 | 168 | 168 | |
| Other Purchased Services | 5,405 | 13,210 | 18,615 | 15,678 | 2,937 |

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | <u>Original Budget</u> | <u>Budget Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actual</u> |
|--|----------------------------|-----------------------------|-------------------------|----------------|-------------------------------------|
| EXPENDITURES: | | | | | |
| CURRENT EXPENSE | | | | | |
| Support Services - General Administration: (Cont'd) | | | | | |
| General Supplies | \$ 500 | \$ 604 | \$ 1,104 | \$ 1,104 | |
| Judgements Against the School District | 30,000 | 6,000 | 36,000 | 36,000 | |
| Miscellaneous Expenditures | 774 | 4,779 | 5,553 | 5,553 | |
| Board of Education Membership Dues and Fees | 4,700 | (1,129) | 3,571 | 3,571 | |
| Total Support Services - General Administration | <u>237,496</u> | <u>104,984</u> | <u>342,480</u> | <u>335,210</u> | <u>\$ 7,270</u> |
| Support Services - School Administration: | | | | | |
| Salaries of Principals/Assistant Principals | 80,000 | (69,259) | 10,741 | 8,949 | 1,792 |
| Salaries of Secretarial and Clerical Assistants | 39,580 | (5,425) | 34,155 | 31,951 | 2,204 |
| Purchased Professional and Technical Services | 1,500 | 1,270 | 2,770 | 2,770 | |
| Other Purchased Services | 5,800 | 51,458 | 57,258 | 55,139 | 2,119 |
| Supplies and Materials | 250 | 1,598 | 1,848 | 1,105 | 743 |
| Other Objects | 1,000 | 2,841 | 3,841 | 3,841 | |
| Total Support Services - School Administration | <u>128,130</u> | <u>(17,517)</u> | <u>110,613</u> | <u>103,755</u> | <u>6,858</u> |
| Central Services: | | | | | |
| Salaries | 128,229 | | 128,229 | 128,229 | |
| Purchased Professional Services | 1,350 | 7,058 | 8,408 | 8,408 | |
| Miscellaneous Purchased Services | 1,500 | 418 | 1,918 | 1,559 | 359 |
| Supplies and Materials | | 1,414 | 1,414 | 1,414 | |
| Miscellaneous Expenditures | | 200 | 200 | 200 | |
| Total Central Services | <u>131,079</u> | <u>9,090</u> | <u>140,169</u> | <u>139,810</u> | <u>359</u> |

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | <u>Original Budget</u> | <u>Budget Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actual</u> |
|--|----------------------------|-----------------------------|-------------------------|---------------|-------------------------------------|
| EXPENDITURES: | | | | | |
| CURRENT EXPENSE | | | | | |
| Administrative Information Technology: | | | | | |
| Salaries | \$ 24,000 | \$ (24,000) | | | |
| Purchased Professional Services | 1,000 | 1,750 | \$ 2,750 | \$ 2,750 | |
| Purchased Technical Services | 10,500 | 16,858 | 27,358 | 27,358 | |
| Other Purchased Services | 200 | 399 | 599 | 599 | |
| Supplies and Materials | 6,582 | 6,049 | 12,631 | 12,631 | |
| Other Objects | 9,900 | (2,922) | 6,978 | 6,978 | |
| Total Administrative Information Technology | <u>52,182</u> | <u>(1,866)</u> | <u>50,316</u> | <u>50,316</u> | |
| Required Maintenance of School Facilities: | | | | | |
| Salaries | 47,019 | | 47,019 | 47,019 | |
| Cleaning, Repair and Maintenance Services | 200 | 125 | 325 | 325 | |
| General Supplies | 5,000 | (2,224) | 2,776 | 2,681 | \$ 95 |
| Total Required Maintenance of School Facilities | <u>52,219</u> | <u>(2,099)</u> | <u>50,120</u> | <u>50,025</u> | <u>95</u> |
| Custodial Services: | | | | | |
| Salaries | 53,648 | 271 | 53,919 | 53,919 | |
| Purchased Professional and Technical Services | 2,425 | 2,287 | 4,712 | 4,670 | 42 |
| Cleaning, Repair, and Maintenance Services | 8,500 | 5,874 | 14,374 | 14,341 | 33 |
| Other Purchased Property Services | 3,860 | 23,671 | 27,531 | 27,531 | |
| Insurance | 2,700 | (109) | 2,591 | 2,591 | |
| Miscellaneous Purchased Services | | 2,206 | 2,206 | 2,206 | |
| General Supplies | | 2,164 | 2,164 | 2,164 | |
| Energy (Electricity) | 85,500 | (341) | 85,159 | 85,159 | |
| Energy (Oil) | 54,000 | 6,872 | 60,872 | 60,872 | |

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|--|--------------------|---------------------|-----------------|---------|-----------------------------|
| EXPENDITURES: | | | | | |
| CURRENT EXPENSE | | | | | |
| Custodial Services: (Cont'd) | | | | | |
| Other Objects | \$ 100 | \$ 295 | \$ 395 | \$ 395 | |
| Total Custodial Services | 210,733 | 43,190 | 253,923 | 253,848 | \$ 75 |
| Student Transportation Services: | | | | | |
| Contracted Services: | | | | | |
| Special Education Students - Vendors | 165,000 | (31,868) | 133,132 | 113,872 | 19,260 |
| Aid in Lieu of Payments - Nonpublic Students | 2,652 | 4,420 | 7,072 | 7,072 | |
| Aid in Lieu of Payments - Charter Schools | 3,536 | | 3,536 | 3,536 | |
| Miscellaneous Purchased Services | | 1,286 | 1,286 | 1,283 | 3 |
| Total Student Transportation Services | 171,188 | (26,162) | 145,026 | 125,763 | 19,263 |
| Unallocated Benefits: | | | | | |
| Social Security Contributions | 40,000 | 33,043 | 73,043 | 73,043 | |
| Other Retirement Contributions - PERS | 30,000 | 12,567 | 42,567 | 42,567 | |
| Unemployment Compensation | 22,000 | (7,102) | 14,898 | 10,957 | 3,941 |
| Workmen's Compensation | 58,800 | (4,423) | 54,377 | 54,376 | 1 |
| Health Benefits | 706,367 | (142,703) | 563,664 | 562,549 | 1,115 |
| Other Employee Benefits | 14,782 | 7,460 | 22,242 | 22,242 | |
| Total Unallocated Benefits | 871,949 | (101,158) | 770,791 | 765,734 | 5,057 |
| On-Behalf Contributions: | | | | | |
| TPAF Non-Contributory Insurance (non-budgeted) | | | | 7,607 | (7,607) |
| On-Behalf Post Retirement Contributions (non-budgeted) | | | | 161,582 | (161,582) |

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | <u>Original Budget</u> | <u>Budget Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actual</u> |
|--|----------------------------|-----------------------------|-------------------------|------------------|-------------------------------------|
| EXPENDITURES: | | | | | |
| CURRENT EXPENSE | | | | | |
| On-Behalf Contributions: (Cont'd) | | | | | |
| Reimbursed TPAF Social Security Contributions (non-budgeted) | | | | \$ 153,099 | \$ (153,099) |
| Total On-Behalf Contributions | | | | 322,288 | (322,288) |
| | | | | | |
| Total Personal Services - Employee Benefits | \$ 871,949 | \$ (101,158) | \$ 770,791 | 1,088,022 | (317,231) |
| | | | | | |
| Total Undistributed Expenses | 2,891,691 | (245,523) | 2,646,168 | 2,833,414 | (187,246) |
| | | | | | |
| TOTAL GENERAL CURRENT EXPENSE | 4,853,445 | (40,894) | 4,812,551 | 4,955,464 | (142,913) |
| | | | | | |
| CAPITAL OUTLAY | | | | | |
| Equipment: | | | | | |
| Undistributed Expenditures: | | | | | |
| Custodial Services | | 9,134 | 9,134 | 9,134 | |
| Total Equipment | | 9,134 | 9,134 | 9,134 | |
| | | | | | |
| Facilities Acquisition and Construction Services: | | | | | |
| Architectural/Engineering Services | | 25,500 | 25,500 | 5,500 | 20,000 |
| Other Purchased Professional and Technical Services | | 27,791 | 27,791 | 10,801 | 16,990 |
| Other Objects | 27,950 | | 27,950 | 27,950 | |
| Total Facilities Acquisition and Construction Services | 27,950 | 53,291 | 81,241 | 44,251 | 36,990 |
| | | | | | |
| TOTAL CAPITAL OUTLAY | 27,950 | 62,425 | 90,375 | 53,385 | 36,990 |
| | | | | | |
| Transfer of Funds to Charter Schools | 48,704 | 2,514 | 51,218 | 51,218 | |

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | <u>Original Budget</u> | <u>Budget Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actual</u> |
|--|----------------------------|-----------------------------|-------------------------|---------------|-------------------------------------|
| EXPENDITURES: | | | | | |
| CURRENT EXPENSE | | | | | |
| TOTAL EXPENDITURES | \$ 4,930,099 | \$ 24,045 | \$ 4,954,144 | \$ 5,060,067 | \$ (105,923) |
| Excess (Deficiency) of Revenues Over/(Under) Expenditures | (87,000) | | (87,000) | 166,152 | 253,152 |
| Other Financing Sources: | | | | | |
| Transfers from Capital Projects Fund - Interest Earned | | | | 32 | (32) |
| Total Other Financing Sources | | | | 32 | (32) |
| Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures | (87,000) | | (87,000) | 166,184 | 253,120 |
| Fund Balance, July 1 | 326,427 | | 326,427 | 326,427 | |
| Fund Balance, June 30 | \$ 239,427 | \$ -0- | \$ 239,427 | \$ 492,611 | \$ 253,120 |
| Recapitulation: | | | | | |
| Restricted: | | | | | |
| Capital Reserve | | | | \$ 100,001 | |
| Excess Surplus | | | | 88,416 | |
| Assigned: | | | | | |
| Year End Encumbrances | | | | 35,719 | |
| Unassigned | | | | 268,475 | |
| | | | | 492,611 | |
| Reconciliation to Governmental Funds Statement (GAAP): | | | | | |
| Last Two State Aid Payments not Recognized on GAAP basis | | | | (131,587) | |
| Fund Balance per Governmental Funds (GAAP) | | | | \$ 361,024 | |

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | <u>Original Budget</u> | <u>Budget Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actual</u> |
|---|----------------------------|-----------------------------|-------------------------|-------------------|-------------------------------------|
| REVENUES: | | | | | |
| Federal Sources | \$ 115,455 | \$ 45,956 | \$ 161,411 | \$ 152,995 | \$ (8,416) |
| Total Revenues | <u>115,455</u> | <u>45,956</u> | <u>161,411</u> | <u>152,995</u> | <u>(8,416)</u> |
| EXPENDITURES: | | | | | |
| Instruction: | | | | | |
| Salaries of Teachers | 12,895 | 5,276 | 18,171 | 18,171 | |
| Purchased Professional and Technical Services | | 46 | 46 | 7 | 39 |
| Other Purchased Services | | 600 | 600 | | 600 |
| Tuition | 83,030 | 11,063 | 94,093 | 94,093 | |
| General Supplies | 16,287 | 14,471 | 30,758 | 27,091 | 3,667 |
| Total Instruction | <u>112,212</u> | <u>31,456</u> | <u>143,668</u> | <u>139,362</u> | <u>4,306</u> |
| Support Services: | | | | | |
| Other Purchased Services | 3,085 | 212 | 3,297 | | 3,297 |
| Supplies and Materials | 158 | 3,688 | 3,846 | 3,033 | 813 |
| Total Support Services | <u>3,243</u> | <u>3,900</u> | <u>7,143</u> | <u>3,033</u> | <u>4,110</u> |
| Facilities Acquisition and Construction Services: | | | | | |
| Instructional Equipment | | 10,600 | 10,600 | 10,600 | |
| Total Facilities Acquisition and Construction Services | | <u>10,600</u> | <u>10,600</u> | <u>10,600</u> | |
| Total Expenditures | <u>\$ 115,455</u> | <u>\$ 45,956</u> | <u>\$ 161,411</u> | <u>\$ 152,995</u> | <u>\$ 8,416</u> |
| Deficit of Revenue Under Expenditures | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ -0-</u> |

BOROUGH OF STANHOPE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISION SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Note A - Explanation of Differences between Budgetary Inflows and Outflows and
 GAAP Revenues and Expenditures

| | <u>General Fund</u> | <u>Special Revenue Fund</u> |
|--|-------------------------|-------------------------------------|
| Sources/Inflows of Resources | | |
| Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule | \$ 5,226,219 | \$ 152,995 |
| Difference - Budget to GAAP: | | |
| Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis recognizes Encumbrances as Revenue and Expenditures, Whereas the GAAP Basis does not | | |
| Prior Year Encumbrances | | 13,571 |
| Prior Year State Aid Payments Recognized for GAAP Purposes, Not Recognized for Budgetary Statements | 158,050 | |
| Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements | <u>(131,587)</u> | |
| Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds. | <u>\$ 5,252,682</u> | <u>\$ 166,566</u> |
| Uses/Outflows of Resources: | | |
| Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule | \$ 5,060,067 | \$ 152,995 |
| Differences - Budget to GAAP | | |
| Encumbrances for Supplies and Equipment Ordered but Not Received are Reported in the Year the Order is Placed for Budgetary Purposes, but in the Year the Supplies are Received for Financial Reporting Purposes: | | |
| Prior Year Encumbrances | | <u>13,571</u> |
| Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds | <u>\$ 5,060,067</u> | <u>\$ 166,566</u> |

BOROUGH OF STANHOPE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISION SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets are submitted to the County office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest most specific level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be made by School Board resolution. All budgeting amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The General Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the last two state aid payments for the current year. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

BOROUGH OF STANHOPE SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | <u>I.D.E.A., Part B</u> | | <u>ARRA</u> | <u>ARRA</u> |
|--|-------------------------|------------------|-------------------------|---------------------------|
| | <u>Basic</u> | <u>Preschool</u> | <u>I.D.E.A., Part B</u> | <u>I.D.E.A. Preschool</u> |
| REVENUES: | | | | |
| Federal Sources | \$ 94,093 | \$ 2,634 | \$ 18,880 | \$ 1,387 |
| Total Revenues | <u>94,093</u> | <u>2,634</u> | <u>18,880</u> | <u>1,387</u> |
| EXPENDITURES: | | | | |
| Instruction: | | | | |
| Salaries of Teachers | | | | |
| Purchased Professional and Technical Services | | | | |
| Tuition | 94,093 | | | |
| General Supplies | | 2,634 | 18,880 | |
| Total Instruction | <u>94,093</u> | <u>2,634</u> | <u>18,880</u> | |
| Support Services: | | | | |
| Supplies and Materials | | | | 1,387 |
| Total Support Services | | | | <u>1,387</u> |
| Facilities Acquisition and Construction Services: | | | | |
| Instructional Equipment | | | | |
| Total Facilities Acquisition and Construction Services | | | | |
| Total Expenditures | <u>\$ 94,093</u> | <u>\$ 2,634</u> | <u>\$ 18,880</u> | <u>\$ 1,387</u> |

BOROUGH OF STANHOPE SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | No Child Left Behind | | | | | Totals |
|--|----------------------|----------------------|-----------------|--------------|-----------------|-------------------|
| | Title I | Title I Carryover | Title IIA | Title IID | Title I ARRA | |
| REVENUES: | | | | | | |
| Federal Sources | \$ 23,171 | \$ 158 | \$ 7,095 | \$ 46 | \$ 5,531 | \$ 152,995 |
| Total Revenues | <u>23,171</u> | <u>158</u> | <u>7,095</u> | <u>46</u> | <u>5,531</u> | <u>152,995</u> |
| EXPENDITURES: | | | | | | |
| Instruction: | | | | | | |
| Salaries of Teachers | 12,571 | | 5,600 | | | 18,171 |
| Purchased Professional and Technical Services | | | 7 | | | 7 |
| Tuition | | | | | | 94,093 |
| General Supplies | | | | 46 | 5,531 | 27,091 |
| Total Instruction | <u>12,571</u> | | <u>5,607</u> | <u>46</u> | <u>5,531</u> | <u>139,362</u> |
| Support Services: | | | | | | |
| Supplies and Materials | | 158 | 1,488 | | | 3,033 |
| Total Support Services | | <u>158</u> | <u>1,488</u> | | | <u>3,033</u> |
| Facilities Acquisition and Construction Services: | | | | | | |
| Instructional Equipment | 10,600 | | | | | 10,600 |
| Total Facilities Acquisition and Construction Services | <u>10,600</u> | | | | | <u>10,600</u> |
| Total Expenditures | <u>\$ 23,171</u> | <u>\$ 158</u> | <u>\$ 7,095</u> | <u>\$ 46</u> | <u>\$ 5,531</u> | <u>\$ 152,995</u> |

BOROUGH OF STANHOPE SCHOOL DISTRICT
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION AID SCHEDULE OF EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOT APPLICABLE

CAPITAL PROJECTS FUND

BOROUGH OF STANHOPE SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | |
|---|-------------|
| Revenue and Other Financing Sources: | |
| State Sources - SDA Grant | \$ 79,601 |
| Lease Purchase Agreement Proceeds | 199,000 |
| Interest on Investments | 32 |
| | <hr/> |
| Total Revenue and Other Financing Sources | 278,633 |
| | <hr/> |
| Expenditures and Other Financing Uses: | |
| Legal Services | 11,388 |
| Purchased Professional and Technical Services | 20,000 |
| Other Objects | 500 |
| Transfer Out to General Fund: | |
| Interest on Investments | 32 |
| | <hr/> |
| Total Expenditures and Other Financing Uses | 31,920 |
| | <hr/> |
| Excess of Revenue and Other Financing Sources Over Expenditures and Other Financing Uses | 246,713 |
| | <hr/> |
| Fund Balance - Beginning of Year | -0- |
| | <hr/> |
| Fund Balance - End of Year | \$ 246,713 |
| | <hr/> <hr/> |
| <u>Recapitulation:</u> | |
| Total Fund Balance - Budgetary Basis | 246,713 |
| | <hr/> |
| Reconciliation to Governmental Funds Statements (GAAP): | |
| SDA Grant Receivable not Recognized on the GAAP Basis | (79,601) |
| | <hr/> |
| Fund Balance per Governmental Funds (GAAP) | \$ 167,112 |
| | <hr/> <hr/> |

BOROUGH OF STANHOPE SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS -
BUDGETARY BASIS
WINDOWS REPLACEMENT PROJECT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | <u>Prior Periods</u> | <u>Current Year</u> | <u>Totals</u> | <u>Project Authorization</u> |
|---|--------------------------|-------------------------|---------------|----------------------------------|
| Revenue and Other Financing Sources: | | | | |
| State Sources - SDA Grant | | \$ 79,601 | \$ 79,601 | \$ 79,601 |
| Lease Purchase Agreement Proceeds | | 199,000 | 199,000 | 119,402 |
| | | | | |
| Total Revenue and Other Financing Sources | | 278,601 | 278,601 | 199,003 |
| | | | | |
| Expenditures: | | | | |
| Legal Services | | 11,388 | 11,388 | 11,472 |
| Purchased Professional and Technical Services | | 20,000 | 20,000 | 17,600 |
| Construction Services | | | | 169,431 |
| Other Objects | | 500 | 500 | 500 |
| | | | | |
| Total Expenditures | | 31,888 | 31,888 | 199,003 |
| | | | | |
| Excess/(Deficit) of Revenue and Other Financing Sources Over Expenditures | \$ -0- | \$ 246,713 | \$ 246,713 | \$ -0- |

Additional Project Information:

| | |
|----------------------------|---------------------|
| Project Numbers | SDA5030-050-10-G0ST |
| Grant Date | 9/8/10 |
| Bond Authorization Date | N/A |
| Bonds Authorized | \$ -0- |
| Bonds Issued | \$ -0- |
| Original Authorized Cost | \$ 199,003 |
| Additional Authorized Cost | \$ -0- |
| Revised Authorized Cost | \$ 199,003 |

| | |
|---|---------|
| Percentage Increase over Original Authorized Cost | 0.00% |
| Percentage Completion | 16.02% |
| Original Target Completion Date | 12/2011 |
| Revised Target Completion Date | 12/2011 |

PROPRIETARY FUNDS

BOROUGH OF STANHOPE SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET ASSETS
JUNE 30, 2011

ASSETS:

Current Assets:

| | |
|--|-----------|
| Cash and Cash Equivalents | \$ 30,256 |
| Intergovernmental Accounts Receivable: | |
| State | 85 |
| Federal | 1,664 |
| Inventories | 1,511 |

| | |
|----------------------|---------------|
| Total Current Assets | <u>33,516</u> |
|----------------------|---------------|

Non-Current Assets:

| | |
|--------------------------------|-----------------|
| Capital Assets | 29,438 |
| Less: Accumulated Depreciation | <u>(20,663)</u> |

| | |
|--------------------------|--------------|
| Total Non-Current Assets | <u>8,775</u> |
|--------------------------|--------------|

| | |
|--------------|---------------|
| Total Assets | <u>42,291</u> |
|--------------|---------------|

LIABILITIES:

Current Liabilities:

| | |
|-------------------|-------|
| Interfund Payable | 675 |
| Accounts Payable | 5,333 |
| Deferred Revenue | 461 |

| | |
|-------------------|--------------|
| Total Liabilities | <u>6,469</u> |
|-------------------|--------------|

NET ASSETS:

| | |
|--|---------------|
| Investment in Capital Assets Net of Related Debt | 8,775 |
| Unrestricted | <u>27,047</u> |

| | |
|------------------|------------------|
| Total Net Assets | <u>\$ 35,822</u> |
|------------------|------------------|

BOROUGH OF STANHOPE SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | |
|--|-------------|
| Operating Revenue: | |
| Local Sources: | |
| Daily Sales - Reimbursable Programs | \$ 49,557 |
| Daily Sales - Non-Reimbursable Programs | 25,678 |
| | <hr/> |
| Total Operating Revenue | 75,235 |
| | <hr/> |
| Operating Expenses: | |
| Cost of Sales | 46,865 |
| Salaries, Benefits and Payroll Taxes | 40,441 |
| Supplies, Insurance and Other Costs | 7,084 |
| Management Fee | 7,328 |
| Depreciation Expense | 1,043 |
| | <hr/> |
| Total Operating Expenses | 102,761 |
| | <hr/> |
| Operating Loss | (27,526) |
| Non-Operating Income: | |
| Local Sources: | |
| Interest Income | 40 |
| State Sources: | |
| State School Lunch Program | 1,062 |
| Federal Sources: | |
| National School Lunch Program | 22,521 |
| Food Distribution Program | 2,956 |
| | <hr/> |
| Total Non-Operating Income | 26,579 |
| | <hr/> |
| Change in Net Assets Before Other Items | (947) |
| Cancellation of Interfund Payable - General Fund | 4,494 |
| | <hr/> |
| Change in Net Assets | 3,547 |
| Net Assets - Beginning of Year | 32,275 |
| | <hr/> |
| Net Assets - End of Year | \$ 35,822 |
| | <hr/> <hr/> |

BOROUGH OF STANHOPE SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | |
|---|-------------|
| Cash Flows from Operating Activities: | |
| Receipts from Customers | \$ 75,235 |
| Payments to Food Service Contractor | (97,824) |
| Payments to Suppliers | (10,457) |
| | <hr/> |
| Net Cash Used for Operating Activities | (33,046) |
| | <hr/> |
| Cash Flows from Financing Activities: | |
| Interest Income | 40 |
| | <hr/> |
| Net Cash Provided by Financing Activities | 40 |
| | <hr/> |
| Cash Flows by Noncapital Financing Activities: | |
| Interfund Returned - General Fund | 16,172 |
| | <hr/> |
| Net Cash Provided by Noncapital Financing Activities | 16,172 |
| | <hr/> |
| Net Decrease in Cash and Cash Equivalents | (16,834) |
| | <hr/> |
| Cash and Cash Equivalents, July 1 | 47,090 |
| | <hr/> |
| Cash and Cash Equivalents, June 30 | \$ 30,256 |
| | <hr/> <hr/> |
| Reconciliation of Operating Loss to Net Cash Used for Operating Activities: | |
| Operating Loss | \$ (27,526) |
| Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities: | |
| Depreciation | 1,043 |
| Food Distribution Program | 2,956 |
| Changes in Assets and Liabilities: | |
| Increase in Deferred Revenue | 10 |
| (Decrease) in Accounts Payable | (9,774) |
| Decrease in Inventory | 245 |
| | <hr/> |
| Net Cash Used for Operating Activities | \$ (33,046) |
| | <hr/> <hr/> |

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund Received U.S.D.A. Donated Commodities Through the Food Distribution Program Valued at \$2,966 and Utilized Commodities Valued at \$2,956.

FIDUCIARY FUNDS

BOROUGH OF STANHOPE SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2011

| | <u>Agency</u> |
|-------------------------------------|---------------|
| <u>ASSETS:</u> | |
| Cash and Cash Equivalents | \$ 29,397 |
| Total Assets | 29,397 |
| <u>LIABILITIES:</u> | |
| Payroll Deductions and Withholdings | \$ 24,669 |
| Interfund Payable - General Fund | 115 |
| Due to Student Groups | 4,613 |
| Total Liabilities | \$ 29,397 |

BOROUGH OF STANHOPE SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOT APPLICABLE

BOROUGH OF STANHOPE SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | <u>Balance</u> <u>July 1, 2010</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30, 2011</u> |
|-------------------------------------|---------------------------------------|------------------|------------------|--|
| <u>ASSETS:</u> | | | | |
| Cash and Cash Equivalents | \$ 6,901 | \$ 54,775 | \$ 58,063 | \$ 3,613 |
| Interfund Receivable - General Fund | | <u>1,000</u> | | <u>1,000</u> |
| Total Assets | <u>\$ 6,901</u> | <u>\$ 55,775</u> | <u>\$ 58,063</u> | <u>\$ 4,613</u> |
| <u>LIABILITIES:</u> | | | | |
| Liabilities: | | | | |
| Due to Student Groups | <u>\$ 6,901</u> | <u>\$ 55,775</u> | <u>58,063</u> | <u>\$ 4,613</u> |
| Total Liabilities | <u>\$ 6,901</u> | <u>\$ 55,775</u> | <u>\$ 58,063</u> | <u>\$ 4,613</u> |

BOROUGH OF STANHOPE SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | <u>Balance</u> <u>July 1, 2010</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30, 2011</u> |
|--|---------------------------------------|---------------------|---------------------|--|
| <u>ASSETS:</u> | | | | |
| Cash and Cash Equivalents | \$ 39,724 | \$ 3,209,076 | \$ 3,223,016 | \$ 25,784 |
| Total Assets | <u>\$ 39,724</u> | <u>\$ 3,209,076</u> | <u>\$ 3,223,016</u> | <u>\$ 25,784</u> |
| <u>LIABILITIES:</u> | | | | |
| Interfund Payable - General Fund | | \$ 1,115 | | \$ 1,115 |
| Payroll Deductions and Withholdings | \$ 39,724 | 3,207,961 | \$ 3,223,016 | 24,669 |
| Total Liabilities | <u>\$ 39,724</u> | <u>\$ 3,209,076</u> | <u>\$ 3,223,016</u> | <u>\$ 25,784</u> |

LONG-TERM DEBT

BOROUGH OF STANHOPE SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS PAYABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| Purpose | Date of Issue | Original Issue | Maturities of Bonds Outstanding June 30, 2011 | | Interest Rate | Balance July 1, 2010 | Matured | Balance June 30, 2011 |
|---|---------------|----------------|---|------------|---------------|----------------------|------------|-----------------------|
| | | | Date | Amount | | | | |
| Additions and Renovations to Elementary Schools | 4/15/03 | \$ 4,769,000 | 4/15/12 | \$ 215,000 | 3.75% | | | |
| | | | 4/15/13 | 225,000 | 3.75% | | | |
| | | | 4/15/14 | 235,000 | 3.75% | | | |
| | | | 4/15/15 | 245,000 | 3.75% | | | |
| | | | 4/15/16 | 255,000 | 3.75% | | | |
| | | | 4/15/17 | 265,000 | 3.75% | | | |
| | | | 4/15/18 | 280,000 | 3.85% | | | |
| | | | 4/15/19 | 290,000 | 3.90% | | | |
| | | | 4/15/20 | 305,000 | 4.00% | | | |
| | | | 4/15/21 | 315,000 | 4.13% | | | |
| | | | 4/15/22 | 325,000 | 4.20% | | | |
| | | | 4/15/23 | 329,000 | 4.25% | | | |
| | | | | | | \$ 3,489,000 | \$ 205,000 | \$ 3,284,000 |

BOROUGH OF STANHOPE SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| Purpose | Interest Rate | Original Issue | Issued | Balance June 30, 2011 |
|-----------------------------|------------------|-------------------|------------|--------------------------|
| Windows Replacement Project | 4.04% | \$ 199,000 | \$ 199,000 | \$ 199,000 |
| | | | \$ 199,000 | \$ 199,000 |

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | <u>Original Budget</u> | <u>Budget Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actual</u> |
|--|----------------------------|-----------------------------|-------------------------|----------------|-------------------------------------|
| REVENUES: | | | | | |
| Local Sources: | | | | | |
| Local Tax Levy | \$ 341,604 | | \$ 341,604 | \$ 341,604 | |
| Total Revenues | <u>341,604</u> | | <u>341,604</u> | <u>341,604</u> | |
| EXPENDITURES: | | | | | |
| Regular Debt Service: | | | | | |
| Interest on Bonds | 136,604 | | 136,604 | 136,604 | |
| Redemption of Principal | 205,000 | | 205,000 | 205,000 | |
| Total Regular Debt Service | <u>341,604</u> | | <u>341,604</u> | <u>341,604</u> | |
| Total Expenditures | <u>341,604</u> | | <u>341,604</u> | <u>341,604</u> | |
| Excess/(Deficit) of Revenues Over/(Under) Expenditures | | | | | |
| Fund Balance, July 1 | <u>\$ 1</u> | | <u>\$ 1</u> | <u>\$ 1</u> | |
| Fund Balance, June 30 | <u>\$ 1</u> | <u>\$ -0-</u> | <u>\$ 1</u> | <u>\$ 1</u> | <u>\$ -0-</u> |
| <u>Recapitulation:</u> | | | | | |
| Restricted | | | | <u>\$ 1</u> | |

STATISTICAL SECTION

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the District's overall financial health.

Contents

Exhibit

Financial Trends

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

J-1 thru J-5

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.

J-6 thru J-9

Debt Capacity

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

J-10 thru J-13

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.

J-14 thru J-15

Operating Information

These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.

J-16 thru J-20

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year. The District implemented Statement 34 in a previous fiscal year. Schedules presenting government-wide information include information beginning in the fiscal year ended June 30, 2005.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NET ASSETS BY COMPONENT,
LAST EIGHT FISCAL YEARS
ACCRUAL BASIS OF ACCOUNTING
UNAUDITED

| | Fiscal Year Ending June 30, | | | | | | | |
|--|-----------------------------|----------------------|----------------------|----------------------|----------------------|---------------------|---------------------|---------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| Governmental Activities | | | | | | | | |
| Invested in Capital Assets, Net of Related Debt/(Deficit) | \$ (2,482,474) | \$ 8,811,687 | \$ 9,054,674 | \$ 10,143,495 | \$ 10,207,238 | \$ 3,040,587 | \$ 3,066,453 | \$ 2,903,588 |
| Restricted | 6,066,648 | 1,429,860 | 1,575,513 | 704,089 | 419,773 | 341,160 | 87,002 | 391,249 |
| Unrestricted/(Deficit) | (11,592) | (60,742) | (49,619) | 133,768 | 324,225 | 270,747 | (3,169) | 83,591 |
| Total Governmental Activities Net Assets | \$ 3,572,582 | \$ 10,180,805 | \$ 10,580,568 | \$ 10,981,352 | \$ 10,951,236 | \$ 3,652,494 | \$ 3,150,286 | \$ 3,378,428 |
| Business-type Activities | | | | | | | | |
| Invested in Capital Assets, Net Unrestricted | \$ 6,225 | \$ 8,654 | \$ 16,714 | \$ 29,269 | \$ 32,382 | \$ 10,862 | \$ 9,818 | \$ 8,775 |
| Total Business-type Activities Net Assets | \$ 6,225 | \$ 8,654 | \$ 16,714 | \$ 29,269 | \$ 32,382 | \$ 39,752 | \$ 32,275 | \$ 35,822 |
| District-wide | | | | | | | | |
| Invested in Capital Assets, Net of Related Debt/(Deficit) | \$ (2,482,474) | \$ 8,811,687 | \$ 9,054,674 | \$ 10,143,495 | \$ 10,207,238 | \$ 3,051,449 | \$ 3,076,271 | \$ 2,912,363 |
| Restricted | 6,066,648 | 1,429,860 | 1,575,513 | 704,089 | 419,773 | 341,160 | 87,002 | 391,249 |
| Unrestricted/(Deficit) | (5,367) | (52,088) | (32,905) | 163,037 | 356,607 | 299,637 | 19,288 | 110,638 |
| Total District Net Assets | \$ 3,578,807 | \$ 10,189,459 | \$ 10,597,282 | \$ 11,010,621 | \$ 10,983,618 | \$ 3,692,246 | \$ 3,182,561 | \$ 3,414,250 |

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports

BOROUGH OF STANHOPE SCHOOL DISTRICT
CHANGES IN NET ASSETS, LAST EIGHT FISCAL YEARS
ACCRUAL BASIS OF ACCOUNTING
UNAUDITED

| | Fiscal Year Ending June 30, | | | | | | | |
|--|-----------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| Expenses | | | | | | | | |
| Governmental Activities | | | | | | | | |
| Instruction | | | | | | | | |
| Regular | \$ 2,074,420 | \$ 2,167,058 | \$ 2,306,265 | \$ 2,274,509 | \$ 2,720,650 | \$ 2,175,090 | \$ 2,248,582 | \$ 1,977,670 |
| Special Education | 654,618 | 528,415 | 669,588 | 713,475 | 721,142 | 598,050 | 939,636 | 1,004,839 |
| Other Special Education | | | | | | 220,275 | 122,392 | 109,874 |
| Other Instruction | 183,541 | 121,521 | 49,695 | 93,886 | | 52,916 | 64,125 | 390 |
| Support Services: | | | | | | | | |
| Tuition | 152,166 | 156,180 | 183,431 | 167,547 | 349,567 | 717,773 | 625,018 | 292,257 |
| Student & Instruction Related Services | 599,917 | 684,591 | 635,207 | 513,588 | 616,143 | 539,120 | 627,464 | 489,702 |
| General Administrative Services | | | | | 356,816 | 256,551 | 294,556 | 412,143 |
| School Administrative Services | 225,059 | 228,024 | 177,781 | 214,226 | 190,826 | 163,209 | 183,637 | 117,036 |
| General and Business Administrative Services | 338,264 | 381,024 | 461,493 | 513,305 | | | | |
| Central Services | | | | | 179,247 | 162,182 | 196,873 | 187,071 |
| Administrative Information Technology | | | | | 61,183 | 121,332 | 116,925 | 50,316 |
| Plant Operations and Maintenance | 371,372 | 442,645 | 413,681 | 452,820 | 460,099 | 308,195 | 331,466 | 332,052 |
| Pupil Transportation | 189,990 | 86,882 | 50,549 | 61,733 | 110,418 | 159,181 | 137,515 | 125,763 |
| Transfer of Funds to Charter School | 4,526 | 11,365 | 21,095 | 76,836 | 34,439 | 44,745 | 45,299 | 51,218 |
| Interest on Long-term Debt | 183,044 | 191,584 | 170,674 | 164,034 | 144,439 | 162,511 | 142,541 | 135,003 |
| Capital Outlay | | | | | 14,292 | 4,386 | 1,000 | 95,238 |
| Unallocated Depreciation | | | | | | | 152,170 | 152,170 |
| Total Governmental Activities Expenses | <u>4,976,917</u> | <u>4,999,289</u> | <u>5,139,459</u> | <u>5,245,959</u> | <u>5,959,261</u> | <u>5,685,516</u> | <u>6,229,199</u> | <u>5,532,742</u> |
| Business-type Activities: | | | | | | | | |
| Food Service | 37,767 | 29,704 | 122,292 | 110,085 | 106,079 | 117,448 | 111,361 | 102,761 |
| Total Business-type Activities Expense | <u>37,767</u> | <u>29,704</u> | <u>122,292</u> | <u>110,085</u> | <u>106,079</u> | <u>117,448</u> | <u>111,361</u> | <u>102,761</u> |
| Total District Expenses | <u>\$ 5,014,684</u> | <u>\$ 5,028,993</u> | <u>\$ 5,261,751</u> | <u>\$ 5,356,044</u> | <u>\$ 6,065,340</u> | <u>\$ 5,802,964</u> | <u>\$ 6,340,560</u> | <u>\$ 5,635,503</u> |
| Program Revenues | | | | | | | | |
| Governmental Activities: | | | | | | | | |
| Operating Grants and Contributions | \$ 1,158,662 | \$ 1,068,156 | \$ 1,096,188 | \$ 1,154,111 | \$ 1,142,951 | \$ 719,089 | \$ 781,492 | \$ 743,390 |
| Total Governmental Activities Program Revenues | <u>1,158,662</u> | <u>1,068,156</u> | <u>1,096,188</u> | <u>1,154,111</u> | <u>1,142,951</u> | <u>719,089</u> | <u>781,492</u> | <u>743,390</u> |
| Business-type Activities: | | | | | | | | |
| Charges for Services | | | | | | | | |
| Food Service | 16,546 | 11,919 | 86,950 | 78,148 | 83,449 | 78,550 | 73,769 | 75,235 |
| Operating Grants and Contributions | 9,744 | 7,330 | 24,044 | 25,964 | 25,197 | 26,754 | 30,064 | 26,539 |
| Total Business-type Activities Program Revenues | <u>26,290</u> | <u>19,249</u> | <u>110,994</u> | <u>104,112</u> | <u>108,646</u> | <u>105,304</u> | <u>103,833</u> | <u>101,774</u> |
| Total District Program Revenues | <u>\$ 1,184,952</u> | <u>\$ 1,087,405</u> | <u>\$ 1,207,182</u> | <u>\$ 1,258,223</u> | <u>\$ 1,251,597</u> | <u>\$ 824,393</u> | <u>\$ 885,325</u> | <u>\$ 845,164</u> |

BOROUGH OF STANHOPE SCHOOL DISTRICT
CHANGES IN NET ASSETS, LAST EIGHT FISCAL YEARS
ACCRUAL BASIS OF ACCOUNTING
UNAUDITED
(Continued)

| | Fiscal Year Ending June 30, | | | | | | | |
|--|-----------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| Net (Expense)/Revenue | | | | | | | | |
| Governmental Activities | \$ (3,818,255) | \$ (3,931,133) | \$ (4,043,271) | \$ (4,091,848) | \$ (4,816,310) | \$ (4,966,427) | \$ (5,447,707) | \$ (4,789,352) |
| Business-type Activities | (11,477) | (10,455) | (11,298) | (5,973) | 2,567 | (12,144) | (7,528) | (987) |
| Total District-wide Net Expense | <u>\$ (3,829,732)</u> | <u>\$ (3,941,588)</u> | <u>\$ (4,054,569)</u> | <u>\$ (4,097,821)</u> | <u>\$ (4,813,743)</u> | <u>\$ (4,978,571)</u> | <u>\$ (5,455,235)</u> | <u>\$ (4,790,339)</u> |
| General Revenues and Other Changes in Net Assets | | | | | | | | |
| Governmental Activities: | | | | | | | | |
| Property Taxes Levied for General Purposes, Net | 2,644,863 | 3,004,631 | 3,068,416 | 3,097,786 | 3,097,786 | 3,221,697 | \$ 3,350,565 | \$ 3,448,588 |
| Taxes Levied for Debt Service | 191,924 | 156,408 | 176,367 | 186,445 | 348,542 | 346,416 | 344,104 | 341,604 |
| Federal and State aid not restricted | 1,150,156 | 1,110,079 | 1,121,096 | 1,110,696 | 1,156,954 | 1,297,663 | 1,143,658 | 1,168,958 |
| Tuition | 7,562 | | | | | | | 20,826 |
| Investment Earnings | 49,744 | 35,746 | 36,250 | 39,216 | 33,185 | 15,724 | 3,418 | 1,233 |
| Miscellaneous Income | 28,023 | 14,442 | 60,263 | 103,219 | 150,273 | 57,021 | 62,876 | 36,285 |
| Prior Year Adjustment - Capital Assets | | 6,230,934 | | | | | | |
| Transfers | (13,039) | (12,884) | (19,358) | (18,528) | (546) | (8,652) | | |
| Adjustment to Local Tax Levy | | | | | | (26,790) | | |
| Cancellation of Prior Year Accounts Payable | | | | | | | 40,878 | |
| Total Governmental Activities | <u>4,059,233</u> | <u>10,539,356</u> | <u>4,443,034</u> | <u>4,518,834</u> | <u>4,786,194</u> | <u>4,903,079</u> | <u>4,945,499</u> | <u>5,017,494</u> |
| Business-type Activities: | | | | | | | | |
| Investment Earnings | | | | | | | | 40 |
| Transfers | 13,039 | 12,885 | 19,357 | 18,528 | 546 | 8,652 | | |
| Cancellation of Interfund Payable - General Fund | | | | | | | | 4,494 |
| Total Business-type Activities | <u>13,039</u> | <u>12,885</u> | <u>19,357</u> | <u>18,528</u> | <u>546</u> | <u>8,652</u> | | <u>4,534</u> |
| Total District-wide | <u>\$ 4,072,272</u> | <u>\$ 10,552,241</u> | <u>\$ 4,462,391</u> | <u>\$ 4,537,362</u> | <u>\$ 4,786,740</u> | <u>\$ 4,911,731</u> | <u>\$ 4,945,499</u> | <u>\$ 5,022,028</u> |
| Change in Net Assets | | | | | | | | |
| Governmental Activities | \$ 240,978 | \$ 6,608,223 | \$ 399,763 | \$ 426,986 | \$ (30,116) | \$ (63,348) | \$ (502,208) | \$ 228,142 |
| Business-type Activities | 1,562 | 2,430 | 8,059 | 12,555 | 3,113 | (3,492) | (7,528) | 3,547 |
| Total District | <u>\$ 242,540</u> | <u>\$ 6,610,653</u> | <u>\$ 407,822</u> | <u>\$ 439,541</u> | <u>\$ (27,003)</u> | <u>\$ (66,840)</u> | <u>\$ (509,736)</u> | <u>\$ 231,689</u> |

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports

BOROUGH OF STANHOPE SCHOOL DISTRICT
FUND BALANCES, GOVERNMENTAL FUNDS,
LAST EIGHT FISCAL YEARS
MODIFIED ACCRUAL BASIS OF ACCOUNTING
UNAUDITED

| | Fiscal Year Ending June 30, | | | | | | | |
|--|-----------------------------|---------------------|---------------------|---------------------|-------------------|-------------------|-------------------|-------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| General Fund | | | | | | | | |
| Reserved/Restricted | \$ 31,608 | \$ 401,097 | \$ 716,479 | \$ 551,750 | \$ 419,772 | \$ 341,159 | \$ 87,001 | \$ 188,417 |
| Assigned | | | | | | | | 35,719 |
| Unassigned | | | | | | | | 136,888 |
| Unreserved | <u>54,479</u> | <u>36,758</u> | <u>71,527</u> | <u>192,998</u> | <u>389,708</u> | <u>342,010</u> | <u>81,376</u> | |
| Total General Fund | <u>\$ 86,087</u> | <u>\$ 437,855</u> | <u>\$ 788,006</u> | <u>\$ 744,748</u> | <u>\$ 809,480</u> | <u>\$ 683,169</u> | <u>\$ 168,377</u> | <u>\$ 361,024</u> |
| All Other Governmental Funds | | | | | | | | |
| Reserved/Restricted | | \$ 131,447 | \$ 5,000 | | | | | \$ 79,599 |
| Committed | | | | | | | | 87,514 |
| Unreserved/(Deficit), Reported in: | | | | | | | | |
| Special Revenue Fund | \$ (171) | (170) | (170) | \$ (170) | | | | |
| Capital Projects Fund | 6,031,259 | 907,126 | 862,476 | (144,402) | | | | |
| Debt Service Fund | <u>26,202</u> | <u>26,202</u> | <u>1</u> | <u>1</u> | <u>\$ 1</u> | <u>\$ 1</u> | <u>\$ 1</u> | |
| Total All Other Governmental Funds/(Deficit) | <u>\$ 6,057,290</u> | <u>\$ 1,064,605</u> | <u>\$ 867,307</u> | <u>\$ (144,571)</u> | <u>\$ 1</u> | <u>\$ 1</u> | <u>\$ 1</u> | <u>\$ 167,113</u> |
| Total Governmental Funds | <u>\$ 6,143,377</u> | <u>\$ 1,502,460</u> | <u>\$ 1,655,313</u> | <u>\$ 600,177</u> | <u>\$ 809,481</u> | <u>\$ 683,170</u> | <u>\$ 168,378</u> | <u>\$ 528,137</u> |

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports

BOROUGH OF STANHOPE SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,
LAST EIGHT FISCAL YEARS
MODIFIED ACCRUAL BASIS OF ACCOUNTING
UNAUDITED

| | Fiscal Year Ending June 30, | | | | | | | |
|--|-----------------------------|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| Revenues | | | | | | | | |
| Tax Levy | \$ 3,019,831 | \$ 3,352,623 | \$ 3,415,457 | \$ 3,448,265 | \$ 3,446,328 | \$ 3,568,113 | \$ 3,694,669 | \$ 3,790,192 |
| Tuition Charges | 7,562 | | | | | | | 20,826 |
| Interest Earnings | 49,744 | 35,746 | 36,250 | 39,215 | 33,185 | 15,724 | 3,418 | 1,233 |
| Miscellaneous | 31,172 | 14,442 | 61,263 | 103,219 | 150,273 | 57,021 | 62,876 | 36,285 |
| State Sources | 2,000,687 | 1,862,807 | 1,929,161 | 2,071,856 | 2,150,236 | 1,870,722 | 1,523,340 | 1,721,737 |
| Federal Sources | 121,938 | 123,845 | 116,449 | 28,918 | 149,669 | 146,030 | 401,810 | 190,611 |
| Total Revenue | 5,230,934 | 5,389,463 | 5,558,580 | 5,691,473 | 5,929,691 | 5,657,610 | 5,686,113 | 5,760,884 |
| Expenditures | | | | | | | | |
| Instruction | | | | | | | | |
| Regular Instruction | 1,574,899 | 1,524,056 | 1,600,308 | 1,587,767 | 1,794,935 | 1,473,563 | 1,540,172 | 1,422,069 |
| Special Education Instruction | 504,402 | 378,335 | 496,749 | 428,591 | 499,578 | 421,563 | 690,712 | 762,717 |
| Other Special Instruction | | | | | | 156,594 | 83,195 | 78,897 |
| Other Instruction | 140,966 | 88,085 | 37,177 | 93,886 | 1,400 | 42,624 | 38,392 | 11,087 |
| Support Services: | | | | | | | | |
| Tuition | 152,166 | 156,180 | 183,432 | 167,547 | 349,567 | 717,773 | 625,018 | 292,257 |
| Student & Other Instruction Related Services | 449,247 | 555,060 | 473,290 | 447,223 | 479,697 | 412,019 | 445,239 | 397,654 |
| General Administrative Services | | | | | 208,195 | 202,637 | 236,484 | 335,210 |
| School Administrative Services | 173,415 | 160,603 | 121,378 | 131,132 | 128,792 | 116,394 | 131,083 | 103,755 |
| General & Business Administrative Services | 268,578 | 310,534 | 353,550 | 386,327 | | | | |
| Central Services | | | | | 132,354 | 122,446 | 139,999 | 139,810 |
| Administrative Information Technology | | | | | 53,285 | 101,858 | 107,918 | 50,316 |
| Plant Operations and Maintenance | 285,701 | 379,005 | 354,607 | 382,055 | 430,800 | 286,481 | 296,866 | 303,873 |
| Pupil Transportation | 187,032 | 83,925 | 47,591 | 58,775 | 107,460 | 156,223 | 137,515 | 125,763 |
| Unallocated Benefits | 1,011,720 | 1,011,037 | 1,155,908 | 1,231,243 | 1,466,445 | 1,142,757 | 1,378,787 | 1,088,022 |
| Charter School | 4,526 | 11,365 | 21,095 | 76,836 | 34,439 | 44,745 | 45,299 | 51,218 |
| Capital Outlay | 1,067,570 | 5,011,319 | 194,244 | 1,030,078 | 14,292 | 4,386 | 1,000 | 95,873 |
| Debt Service: | | | | | | | | |
| Principal | 165,000 | 170,000 | 175,000 | 185,000 | 190,000 | 195,000 | 200,000 | 205,000 |
| Interest and Other Charges | 183,766 | 177,991 | 172,041 | 165,479 | 158,541 | 151,416 | 144,104 | 136,604 |
| Total Expenditures | 6,168,988 | 10,017,495 | 5,386,370 | 6,371,939 | 6,049,780 | 5,748,479 | 6,241,783 | 5,600,125 |
| Excess/(Deficit) of Revenues | | | | | | | | |
| Over/(Under) Expenditures | (938,054) | (4,628,032) | 172,210 | (680,466) | (120,089) | (90,869) | (555,670) | 160,759 |

BOROUGH OF STANHOPE SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,
LAST EIGHT FISCAL YEARS
MODIFIED ACCRUAL BASIS OF ACCOUNTING
UNAUDITED

| | Fiscal Year Ending June 30, | | | | | | | |
|--|-----------------------------|-----------------------|-------------------|---------------------|---------------------|---------------------|---------------------|-------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| Other Financing Sources/(Uses) | | | | | | | | |
| Transfers in | \$ 48,136 | \$ 27,297 | \$ 10,540 | \$ 17,304 | \$ 144,401 | | | \$ 32 |
| Transfers out | (61,175) | (40,182) | (29,898) | (35,832) | (144,947) | \$ (8,652) | | (32) |
| Adjustment to Local Tax Levy | | | | | | (26,790) | | |
| Cancellation of Prior Year Accounts Payable | | | | | | | \$ 40,878 | |
| Lease Purchase Agreement Proceeds | | | | | | | | 199,000 |
| Total Other Financing Sources/(Uses) | <u>(13,039)</u> | <u>(12,885)</u> | <u>(19,358)</u> | <u>(18,528)</u> | <u>(546)</u> | <u>(35,442)</u> | <u>40,878</u> | <u>199,000</u> |
| Net Change in Fund Balances | <u>\$ (951,093)</u> | <u>\$ (4,640,917)</u> | <u>\$ 152,852</u> | <u>\$ (698,994)</u> | <u>\$ (120,635)</u> | <u>\$ (126,311)</u> | <u>\$ (514,792)</u> | <u>\$ 359,759</u> |
| Debt Service as a Percentage of Noncapital Expenditures | <u>6.84%</u> | <u>6.95%</u> | <u>6.68%</u> | <u>6.56%</u> | <u>5.77%</u> | <u>6.03%</u> | <u>5.51%</u> | <u>6.21%</u> |

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports

BOROUGH OF STANHOPE SCHOOL DISTRICT
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
MODIFIED ACCRUAL BASIS OF ACCOUNTING
UNAUDITED

| <u>Fiscal Year</u> <u>Ending June 30,</u> | <u>Prior Year</u> <u>Refunds</u> | <u>Interest on</u> <u>Investments</u> | <u>Rental</u> | <u>Tuition</u> <u>Other LEA's</u> | <u>Reimbursement</u> <u>for Roof</u> <u>Repairs</u> | <u>Miscellaneous</u> | <u>Total</u> |
|--|-------------------------------------|--|---------------|--------------------------------------|---|----------------------|--------------|
| 2002 | | \$ 8,842 | | | \$ 100,000 | \$ 3,805 | \$ 112,647 |
| 2003 | | 2,809 | | | | 48,164 | 50,973 |
| 2004 | \$ 7,562 | 1,608 | | | | 28,022 | 37,192 |
| 2005 | | 8,449 | | | | 14,442 | 22,891 |
| 2006 | 5,360 | 25,709 | \$ 45,000 | | | 9,903 | 85,972 |
| 2007 | 39,543 | 21,911 | 59,000 | | | 4,675 | 125,129 |
| 2008 | 59,483 | 33,185 | 82,000 | | | 8,790 | 183,458 |
| 2009 | 29,432 | 15,724 | 14,000 | | | 13,589 | 72,745 |
| 2010 | 36,027 | 3,418 | | | | 26,849 | 66,294 |
| 2011 | 7,979 | 1,201 | | \$ 20,826 | | 28,306 | 58,312 |

Source: School District of the Borough of Stanhope records

BOROUGH OF STANHOPE SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY,
LAST TEN YEARS
UNAUDITED

| <u>Year Ended</u> <u>December 31,</u> | <u>Vacant</u> <u>Land</u> | <u>Residential</u> | <u>Farm</u> | <u>Commercial</u> | <u>Industrial</u> | <u>Apartment</u> | <u>Total</u> <u>Assessed</u> <u>Value</u> | <u>Public</u> <u>Utilities</u> ^a | <u>Net Valuation</u> <u>Taxable</u> | <u>Total Direct</u> <u>School Tax</u> <u>Rate</u> ^b | <u>Estimated Actual</u> <u>(County</u> <u>Equalized Value)</u> |
|--|------------------------------|--------------------|-------------|-------------------|-------------------|------------------|---|--|--|--|--|
| 2001 | \$ 2,139,500 | \$ 145,363,400 | \$ 13,100 | \$ 9,475,200 | \$ 3,111,800 | \$ 1,441,700 | \$ 161,544,700 | \$ 429,932 | \$ 161,974,632 | \$ 1.46 | \$ 190,860,303 |
| 2002 | 2,400,600 | 146,641,800 | 13,100 | 9,629,900 | 3,118,000 | 1,572,500 | 163,375,900 | 502,174 | 163,878,074 | 1.45 | 204,292,281 |
| 2003 | 2,387,400 | 147,373,000 | 17,100 | 9,629,900 | 3,111,800 | 1,572,500 | 164,091,700 | 433,291 | 164,524,991 | 1.68 | 231,221,758 |
| 2004 | 1,793,900 | 150,185,000 | 18,200 | 9,685,600 | 3,111,800 | 1,572,500 | 166,367,000 | 352,025 | 166,719,025 | 1.92 | 267,727,796 |
| 2005 | 1,834,700 | 152,249,100 | 18,200 | 9,866,000 | 3,111,800 | 1,572,500 | 168,652,300 | 279,699 | 168,931,999 | 1.97 | 322,730,949 |
| 2006 * | 5,296,800 | 394,389,500 | 18,400 | 23,172,500 | 5,624,800 | 3,744,200 | 432,246,200 | 480,235 | 432,726,435 | 0.78 | 407,049,816 |
| 2007 | 5,067,100 | 394,458,500 | 18,400 | 23,181,600 | 5,624,800 | 3,744,200 | 432,094,600 | 476,760 | 432,571,360 | 0.80 | 410,232,962 |
| 2008 | 4,543,000 | 395,609,500 | 18,400 | 22,010,700 | 5,624,300 | 3,744,200 | 431,550,100 | 485,828 | 432,035,928 | 0.85 | 434,820,741 |
| 2009 | 4,699,100 | 396,061,600 | 18,100 | 23,357,300 | 5,624,300 | 3,744,200 | 433,504,600 | 498,534 | 434,003,134 | 0.73 | 415,990,735 |
| 2010 * | 3,867,500 | 315,145,600 | 18,100 | 22,409,100 | 5,490,300 | 3,430,500 | 350,361,100 | 494,678 | 350,855,778 | 1.07 | 419,493,289 |

* Year in which revaluation became effective.

Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each county board of taxation. Reassessment occurs when ordered by the County Board of Taxation

a Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies

b Tax rates are per \$100 of assessed value.

BOROUGH OF STANHOPE SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
UNAUDITED
(Rate per \$100 of Assessed Value)

| Year Ended December 31, | School District of the Borough of Stanhope Direct Rate | | | Overlapping Rates | | | Total Direct and Overlapping Tax Rate |
|----------------------------|---|--|--------------|-------------------|-------------------------------------|---------|--|
| | Basic Rate ^a | General Obligation Debt Service ^b | Total Direct | Municipality | Regional High School District | County | |
| 2001 | \$ 1.46 | | \$ 1.46 | \$ 1.04 | \$ 0.77 | \$ 0.66 | \$ 3.93 |
| 2002 | 1.45 | | 1.45 | 1.07 | 0.86 | 0.69 | 4.07 |
| 2003 | 1.68 | | 1.68 | 1.22 | 0.93 | 0.74 | 4.57 |
| 2004 | 1.71 | \$ 0.21 | 1.92 | 1.28 | 0.93 | 0.78 | 4.91 |
| 2005 | 1.77 | 0.21 | 1.98 | 1.35 | 0.97 | 0.85 | 5.15 |
| 2006 * | 0.68 | 0.10 | 0.78 | 0.56 | 0.41 | 0.36 | 2.11 |
| 2007 | 0.72 | 0.08 | 0.80 | 0.62 | 0.45 | 0.38 | 2.25 |
| 2008 | 0.77 | 0.08 | 0.85 | 0.69 | 0.47 | 0.39 | 2.40 |
| 2009 | 0.66 | 0.07 | 0.73 | 0.69 | 0.58 | 0.39 | 2.39 |
| 2010 * | 0.97 | 0.09 | 1.07 | 0.87 | 0.60 | 0.49 | 3.03 |

* Year in which revaluation became effective.

Note:

NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy . The levy when added to other components of the district's net budget may not exceed the prebudget year net budget by more than the spending growth limitation.

a The district's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net Valuation Taxable.

b Rates for debt service are based on each year's requirements.

BOROUGH OF STANHOPE SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS,
CURRENT YEAR AND NINE YEARS AGO

| Taxpayer | 2010 | | |
|---------------------------------|------------------------|------|--|
| | Taxable Assessed Value | Rank | % of Total District Net Assessed Value |
| Paramount Self Storage, LLC | \$ 3,228,400 | 1 | 0.92% |
| US Mineral Products | 2,256,600 | 2 | 0.64% |
| Individual Taxpayer 1 | 1,665,900 | 3 | 0.47% |
| Netcong Development, LLC | 1,465,300 | 4 | 0.42% |
| Individual Taxpayer 2 | 1,444,600 | 5 | 0.41% |
| Aichem, Heinrich & Elke, TIC | 1,358,700 | 6 | 0.39% |
| AHS Enterprises, LLC | 1,320,600 | 7 | 0.38% |
| Individual Taxpayer 3 | 1,247,300 | 8 | 0.36% |
| Individual Taxpayer 4 | 1,142,100 | 9 | 0.33% |
| Lakeland Bank, Att: J. Fontaine | 1,103,300 | 10 | 0.31% |
| Total | <u>\$ 16,232,800</u> | | <u>4.63%</u> |

| Taxpayer | 2001 | | |
|----------|------------------------|------|--|
| | Taxable Assessed Value | Rank | % of Total District Net Assessed Value |

INFORMATION NOT AVAILABLE

BOROUGH OF STANHOPE SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS,
LAST SIX FISCAL YEARS
UNAUDITED

| <u>Fiscal Year</u> <u>Ended December 31,</u> | <u>Taxes Levied</u> <u>for the</u> <u>Fiscal Year</u> | <u>Collected within the</u> <u>Fiscal Year of the Levy^a</u> | | <u>Collections in</u> <u>Subsequent</u> <u>Years</u> |
|---|---|---|-------------------------------------|--|
| | | <u>Amount</u> | <u>Percentage</u> <u>of Levy</u> | |
| 2006 | \$ 3,415,457 | \$ 3,415,457 | 100.00% | \$ -0- |
| 2007 | 3,448,265 | 3,448,265 | 100.00% | -0- |
| 2008 | 3,446,328 | 3,446,328 | 100.00% | -0- |
| 2009 | 3,568,113 | 3,568,113 | 100.00% | -0- |
| 2010 | 3,694,669 | 3,694,669 | 100.00% | -0- |
| 2011 | 3,790,192 | 3,790,192 | 100.00% | -0- |

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District of the Borough of Stanhope records including the Certificate and Report of School Taxes (A4F form)

- a. School taxes are collected by the Municipal Tax Collector. Under New Jersey State Statute, a municipality is required to remit to the school district the entire property tax balance, in the amount voted upon or certified prior to the end of the school year.

BOROUGH OF STANHOPE SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST SEVEN FISCAL YEARS
UNAUDITED

| Fiscal Year Ended June 30, | Governmental Activities | | | | Business-Type Activities Capital Leases | Total District | Percentage of Personal Income ^a | Per Capita ^a |
|----------------------------|--------------------------|-------------------------------|--|--------------------------------|--|----------------|--|-------------------------|
| | General Obligation Bonds | Certificates of Participation | Obligations Under Lease-Purchase Agreement | Bond Anticipation Notes (BANs) | | | | |
| 2005 | \$ 4,434,000 | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ 4,434,000 | 2.98% | \$ 1,216.13 |
| 2006 | 4,259,000 | -0- | -0- | -0- | -0- | 4,259,000 | 2.74% | 1,163.66 |
| 2007 | 4,074,000 | -0- | -0- | -0- | -0- | 4,074,000 | 2.46% | 1,118.92 |
| 2008 | 3,884,000 | -0- | -0- | -0- | -0- | 3,884,000 | 2.22% | 1,074.41 |
| 2009 | 3,689,000 | -0- | -0- | -0- | -0- | 3,689,000 | 2.10% | 1,025.29 |
| 2010 | 3,489,000 | -0- | -0- | -0- | -0- | 3,489,000 | 2.05% | 975.40 |
| 2011 | 3,284,000 | -0- | 199,000 | -0- | -0- | 3,483,000 | 2.05% | 973.72 |

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Note: Details regarding the district's outstanding debt can be found in the notes to the financial statements.

a See Exhibit J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

BOROUGH OF STANHOPE SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST SEVEN FISCAL YEARS
UNAUDITED

| Fiscal Year Ended June 30, | General Bonded Debt Outstanding | | | Percentage of Net Valuation ^a Taxable | Per Capita ^b |
|-------------------------------------|---------------------------------|------------|---|---|-------------------------|
| | General Obligation Bonds | Deductions | Net General Bonded Debt Outstanding | | |
| 2005 | \$ 4,434,000 | \$ -0- | \$ 4,434,000 | 2.78% | \$ 1,216.13 |
| 2006 | 4,259,000 | -0- | 4,259,000 | 2.67% | 1,163.66 |
| 2007 | 4,074,000 | -0- | 4,074,000 | 2.54% | 1,118.92 |
| 2008 | 3,884,000 | -0- | 3,884,000 | 2.40% | 1,074.41 |
| 2009 | 3,689,000 | -0- | 3,689,000 | 2.25% | 1,025.29 |
| 2010 | 3,489,000 | -0- | 3,489,000 | 2.12% | 975.40 |
| 2011 | 3,284,000 | -0- | 3,284,000 | 1.97% | 918.09 |

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Note: Details regarding the district's outstanding debt can be found in the notes to the financial statements.

a See Exhibit J-6 for property tax data. This ratio is calculated using valuation data for the prior calendar year.

b See Exhibit J-14 for population data. This ratio is calculated using population for the prior calendar year.

BOROUGH OF STANHOPE SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2010
UNAUDITED

| <u>Governmental Unit</u> | <u>Debt Outstanding</u> | <u>Estimated Percentage Applicable^a</u> | <u>Estimated Share of Overlapping Debt</u> |
|---|-----------------------------|--|--|
| Debt Repaid With Property Taxes | | | |
| Lenape Valley Regional School District | \$ 3,489,000 | 22.03% | \$ 768,627 |
| Borough of Stanhope | 2,673,628 | 100.00% | 2,673,628 |
| Sussex County General Obligation Debt | 74,528,115 | 2.01% | <u>1,500,011</u> |
| Subtotal, Overlapping Debt | | | 4,942,265 |
| Borough of Stanhope School District Direct Debt | | | <u>3,483,000</u> |
| Total Direct and Overlapping Debt | | | <u>\$ 8,425,265</u> |

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Stanhope. This process recognizes that, when considering the District's ability to issue and repay long-term, the entire debt burden borne by the residents and businesses should be taken into account. However this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping unit.

a For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable equalized property values. Applicable percentages were estimated by determining the portion of another governmental unit's equalized property value that is within the district's boundaries and dividing it by each unit's total equalized property value.

Sources: Assessed value data used to estimate applicable percentages provided by the Sussex County Board of Taxation; debt outstanding data provided by each governmental unit.

BOROUGH OF STANHOPE SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION,
LAST NINE FISCAL YEARS
UNAUDITED

Legal Debt Margin Calculation for Fiscal Year 2011

| | |
|---|-----------------------------|
| | Equalized valuation basis |
| | 2008 \$ 437,588,826 |
| | 2009 415,512,892 |
| | 2010 385,350,968 |
| | <u>\$ 1,238,452,686</u> |
| Average Equalized Valuation of Taxable Property | \$ 412,817,562 |
| Debt Limit (3% of average equalization value) | 12,384,527 ^a |
| Net Bonded School Debt | <u>3,284,000</u> |
| Legal Debt Margin | <u>\$ 9,100,527</u> |

Fiscal Year

| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Debt Limit | \$ 5,929,130 | \$ 8,786,042 | \$ 8,070,444 | \$ 9,350,502 | \$ 10,795,953 | \$ 11,949,699 | \$ 12,759,999 | \$ 12,849,408 | \$ 12,384,527 |
| Total Net Debt Applicable to Limit | | <u>4,604,000</u> | <u>4,434,133</u> | <u>4,434,000</u> | <u>4,074,000</u> | <u>3,884,000</u> | <u>3,689,000</u> | <u>3,489,000</u> | <u>3,284,000</u> |
| Legal Debt Margin | <u>\$ 5,929,130</u> | <u>\$ 4,182,042</u> | <u>\$ 3,636,311</u> | <u>\$ 4,916,502</u> | <u>\$ 6,721,953</u> | <u>\$ 8,065,699</u> | <u>\$ 9,070,999</u> | <u>\$ 9,360,408</u> | <u>\$ 9,100,527</u> |
| Total Net Debt Applicable to the Limit As a Percentage of Debt Limit | 0.00% | 52.40% | 54.94% | 47.42% | 37.74% | 32.50% | 28.91% | 27.15% | 26.52% |

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

^a Limit set by NJSA 18A:24-19 for a K through 12 district; other % limits would be applicable for other districts

Source: Equalized valuation bases were obtained from the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation

BOROUGH OF STANHOPE SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

| Year | Population ^a | Town of Stanhope Personal Income ^b | Sussex County Per Capita Personal Income ^c | Unemployment Rate ^d |
|------|-------------------------|--|--|-----------------------------------|
| 2002 | 3,597 | \$ 139,286,631 | \$ 38,723 | 4.90% |
| 2003 | 3,604 | 141,766,944 | 39,336 | 5.20% |
| 2004 | 3,646 | 148,826,074 | 40,819 | 3.90% |
| 2005 | 3,660 | 155,367,000 | 42,450 | 4.10% |
| 2006 | 3,641 | 165,476,168 | 45,448 | 3.80% |
| 2007 | 3,615 | 175,233,510 | 48,474 | 3.70% |
| 2008 | 3,598 | 175,683,144 | 48,828 | 4.70% |
| 2009 | 3,577 | 169,896,769 | 47,497 | 7.80% |
| 2010 | 3,577 ** | 169,896,769 | 47,497 * | 8.40% |
| 2011 | 3,577 ** | 169,896,769 | 47,497 * | N/A |

* - Latest Sussex County per capita personal income available (2009) was used for calculation purposes.

** - Latest population data available (2009) was used for calculation purposes.

N/A - Information not available

Source:

^a Population information provided by the NJ Dept of Labor and Workforce Development

^b Personal income has been estimated based upon the municipal population and per capita personal income presented

^c Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.

^d Unemployment data provided by the NJ Dept of Labor and Workforce Development

BOROUGH OF STANHOPE SCHOOL DISTRICT
PRINCIPAL EMPLOYERS, COUNTY OF SUSSEX
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

| Employer | 2010 | | |
|--|-----------|------|--------------------------------|
| | Employees | Rank | Percentage of Total Employment |
| Crystal Springs Golf and Spa Resort | 2,000 | 1 | N/A |
| Newton Memorial Hospital | 1,490 | 2 | N/A |
| Selective Insurance | 900 | 3 | N/A |
| County of Sussex | 830 | 4 | N/A |
| Mountain Creek Resort | 800 | 5 | N/A |
| Shop Rite (Ronetco Supermarkets, Inc.) | 697 | 6 | N/A |
| Ames Rubber Corp. | 445 | 7 | N/A |
| Walmart | 412 | 8 | N/A |
| Andover Sub Acute & Rehab Center | 300 | 9 | N/A |
| Sussex County Community College | 300 | 10 | N/A |
| | 8,174 | | |
| Employer | 2001 | | |
| | Employees | Rank | Percentage of Total Employment |
| Selective Insurance | 954 | 1 | N/A |
| Andover Subacute and Rehab Center | 906 | 2 | N/A |
| County of Sussex | 815 | 3 | N/A |
| Mountain Creek Resort | 800 | 4 | N/A |
| Newton Memorial Hospital | 757 | 5 | N/A |
| Ronetco Supermarkets | 711 | 6 | N/A |
| Vernon Township Bd. of Education | 629 | 7 | N/A |
| F.O. Phoenix, Inc. | 600 | 8 | N/A |
| Hopatcong Board of Education | 450 | 9 | N/A |
| Walmart | 380 | 10 | N/A |
| | 7,002 | | |

N/A - Total amount of employment is not available in order to do the percentage calculation

Source: Sussex County Chamber of Commerce

BOROUGH OF STANHOPE SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM,
LAST FOUR FISCAL YEARS
UNAUDITED

| <u>Function/Program</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|--|-------------|-------------|-------------|-------------|
| Instruction | | | | |
| Regular | 24.0 | 31.0 | 31.0 | 27.0 |
| Special education | 5.0 | 5.0 | 3.0 | 3.0 |
| Other instruction | 2.5 | 3.0 | 3.0 | 3.0 |
| Support Services: | | | | |
| Student & instruction related services | 4.2 | 1.4 | 2.5 | 2.0 |
| School administrative services | 2.5 | 3.5 | 2.5 | 2.0 |
| Plant operations and maintenance | 2.0 | 2.5 | 2.5 | 2.5 |
| Business and other support services | 1.0 | 1.0 | 1.0 | 1.0 |
| Food Service | 3.5 | 4.0 | 3.5 | 3.5 |
| Total | <u>44.7</u> | <u>51.4</u> | <u>49.0</u> | <u>44.0</u> |

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District of the Borough of Stanhope Personnel Records

BOROUGH OF STANHOPE SCHOOL DISTRICT
OPERATING STATISTICS,
LAST TEN FISCAL YEARS
UNAUDITED

| <u>Fiscal Year</u> | <u>Enrollment</u> | <u>Operating Expenditures^a</u> | <u>Cost Per Pupil^d</u> | <u>Percentage Change</u> | <u>Teaching Staff^b</u> | <u>Pupil/Teacher Ratio Elementary</u> | <u>Average Daily Enrollment (ADE)^c</u> | <u>Average Daily Attendance (ADA)^c</u> | <u>% Change in Average Daily Enrollment</u> | <u>Student Attendance Percentage</u> |
|--------------------|-------------------|---|-----------------------------------|--------------------------|-----------------------------------|---------------------------------------|---|---|---|--------------------------------------|
| 2002 | 389 | \$ 4,003,823 | \$ 10,293 | 13.08% | N/A | N/A | 389 | 371 | -6.04% | 95.37% |
| 2003 | 400 | 4,083,791 | 10,209 | -0.81% | 35 | 1:10.3 | 400 | 420 | 2.83% | 105.00% |
| 2004 | 436 | 4,559,070 | 10,457 | 2.42% | 33 | 1:11.5 | 436 | 416 | 9.00% | 95.41% |
| 2005 | 397 | 4,546,593 | 11,452 | 9.52% | 39 | 1:11 | 397 | 380 | -8.94% | 95.72% |
| 2006 | 415 | 4,845,084 | 11,675 | 1.94% | 37 | 1:11 | 415 | 398 | 4.53% | 96.00% |
| 2007 | 394 | 4,991,382 | 12,668 | 8.51% | 38 | 1:11 | 394 | 376 | -5.06% | 95.43% |
| 2008 | 392 | 5,686,947 | 14,508 | 14.52% | 38 | 1:11 | 392 | 376 | -0.51% | 95.92% |
| 2009 | 373 | 5,397,677 | 14,471 | -0.25% | 38 | 1:11 | 373 | 358 | -4.85% | 95.98% |
| 2010 | 393 | 5,896,679 | 15,004 | 3.69% | 38 | 1:11 | 393 | 375 | 5.36% | 95.42% |
| 2011 | 395 | 5,162,648 | 13,070 | -12.89% | 38 | 1:11 | 395 | 361 | 0.51% | 91.39% |

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).
- d The Cost Per Pupil calculated above is the sum of the operating expenditures divided by enrollment.
This Cost Per Pupil may be different from other Cost Per Pupil calculations.

N/A: Information not available

Source: Borough of Stanhope District Records

BOROUGH OF STANHOPE SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

| | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|--------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <u>District Building</u> | | | | | | | | | | |
| <u>Elementary</u> | | | | | | | | | | |
| Valley Road Elementary | | | | | | | | | | |
| Square Feet | 40,600 | 40,600 | 40,600 | 62,378 | 62,378 | 62,378 | 62,378 | 62,378 | 62,378 | 62,378 |
| Capacity (students) | N/A | N/A | N/A | N/A | N/A | N/A | 536 | 536 | 536 | 536 |
| Enrollment | 347 | 350 | 348 | 437 | 431 | 431 | 407 | 578 | 364 | 378 |
| Linden Avenue Elementary | | | | | | | | | | |
| Square Feet | 7,768 | 7,768 | 7,768 | 7,768 | 7,768 | 7,768 | 7,768 | 7,768 | 7,768 | 7,768 |
| Capacity (students) | N/A | 138 | 138 |
| Enrollment | 85 | 86 | 115 | N/A | N/A | N/A | 89 | 22 | 17 | 17 |

Number of Schools at June 30, 2011

 Elementary = 2

Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of alterations and additions. Enrollment is based on the annual October district count.

N/A: Information not available

Source: District Facilities Office

BOROUGH OF STANHOPE SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE
LAST TEN FISCAL YEARS
UNAUDITED

UNDISTRIBUTED EXPENDITURES - REQUIRED
MAINTENANCE FOR SCHOOL FACILITIES
11-000-261-xxx

| Fiscal Year Ended June 30, | Linden Avenue School (1) | Valley Road School | Total |
|----------------------------------|--------------------------------|--------------------------|-----------|
| 2002 | \$ 9,714 | \$ 50,995 | \$ 60,709 |
| 2003 | 6,184 | 32,467 | 38,652 |
| 2004 | 3,899 | 22,092 | 25,991 |
| 2005 | 9,514 | 53,913 | 63,427 |
| 2006 | 10,596 | 60,043 | 70,639 |
| 2007 | 9,309 | 52,752 | 62,061 |
| 2008 | -0- | 47,841 | 47,841 |
| 2009 | -0- | 50,616 | 50,616 |
| 2010 | -0- | 51,659 | 51,659 |
| 2011 | -0- | 50,025 | 50,025 |

(1) Linden Avenue School no longer in use after 2007.

* School facilities as defined under EFCFA.

(N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

Source: District Records

BOROUGH OF STANHOPE SCHOOL DISTRICT
INSURANCE SCHEDULE
AS OF JUNE 30, 2011
UNAUDITED

| | <u>Coverage</u> | <u>Deductible</u> |
|---|--|-------------------|
| School Alliance Insurance Fund (SAIF): | | |
| Worker' Compensation/Employers' Liability | | |
| Coverage A | NJ Statutory Benefits | NIL |
| Coverage B | 5,000,000 | None |
| Supplemental Indemnity | NJ Statutory Benefits | |
| General & Automobile Liability | 5,000,000 per occurrence 50,000,000 fund aggregate | NIL |
| Employee Benefits | 5,000,000 | None |
| Excess General & Auto Liability | 5,000,000 | None |
| Sexual Abuse & Molestation | 3,000,000 | None |
| Physical Damage - Property | 250,000,000 per occurrence | 1,000 |
| Physical Damage - Inland Marine & Auto | 250,000,000 | |
| Flood | 25,000,000 per occurrence 50,000,000 fund aggregate | None None |
| Boiler & Machinery | 100,000,000 each loss | 1,000 |
| Employee Dishonesty | 400,000 | None |
| Money & Securities | 2,500,000 each loss | 1,000 |
| Environmental Impairment Liability | 1,000,000 per incident | 10,000 |
| Critical Incident Management | 250,000 | None |
| School Leaders' Professional Liability | 5,000,000 per person | 5,000 |
| Official Bonds - Western Surety Company: | | |
| Lorraine E. Snyder | 75,000 | None |
| SallyAnn McCarty | 175,000 | None |

SINGLE AUDIT



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0567 Fax

Lawrence Business Center
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555 Fax

Independent Auditors' Report on Internal Control over Financial Reporting and
 on Compliance and Other Matters Based on an Audit of Financial Statements
 Performed in Accordance with *Government Auditing Standards*

The Honorable President and Members
 of the Board of Education
 Borough of Stanhope School District
 County of Sussex, New Jersey

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Borough of Stanhope School District, in the County of Sussex (the "Board"), as of, and for the fiscal year ended, June 30, 2011, and have issued our report thereon dated November 4, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey (the "Department"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Board's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weakness. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

The Honorable President and Members
of the Board of Education
Borough of Stanhope School District
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey. However, we noted certain matters that we have reported to the Board in a separate report, the *Auditors' Management Report on Administrative Findings – Financial, Compliance, and Performance*, dated November 4, 2011.

This report is intended solely for the information and use of management, the members of the Board of Education, and to meet the requirements for filing with the New Jersey State Department of Education, and other state and federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

November 4, 2011
Mount Arlington, New Jersey

NISIVOCCIA LLP



William F. Schroeder
Licensed Public School Accountant #2112
Certified Public Accountant



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0507 Fax

Lawrence Business Center
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555 Fax

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect On Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and New Jersey's OMB Circular NJOMB 04-04

The Honorable President and Members
 of the Board of Education
 Borough of Stanhope School District
 County of Sussex, New Jersey

Compliance

We have audited the compliance of the Board of Education of the Borough of Stanhope School District in the County of Sussex (the "Board") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2011. The Board's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state programs is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey (the "Department"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*; and Federal Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards, Federal OMB Circular A-133, and New Jersey's OMB Circular NJOMB 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Board's compliance with those requirements.

In our opinion, the Board complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2011.

Internal Control Over Compliance

The management of the Board is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Board's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *New Jersey State Aid/ Grant Compliance Supplement*, but not for the purpose of expressing our opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

The Honorable President and Members
of the Board of Education
Borough of Stanhope School District
Page 2

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the members of the Board of Education, and to meet the requirements for filing with the New Jersey State Department of Education, and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

November 4, 2011
Mount Arlington, New Jersey

NISIVOCCIA LLP



William F. Schroeder
Licensed Public School Accountant #2112
Certified Public Accountant

**BOROUGH OF STANHOPE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

| Federal Grantor/Pass Through Grantor/ Program or Cluster Title | Federal CFDA Number | Grant or State Project Number | Grant Period | Award Amount | Balance at June 30, 2010 | | | Cash Received | Budgetary Expendi- tures | Balance at June 30, 2011 | | |
|---|---------------------------|----------------------------------|-----------------|-----------------|-------------------------------------|----------------------------------|-------------------|------------------|--------------------------------|-------------------------------------|----------------------------------|-------------------|
| | | | | | Budgetary Accounts Receivable | Budgetary Deferred Revenue | Due to Grantor | | | Budgetary Accounts Receivable | Budgetary Deferred Revenue | Due to Grantor |
| U.S. Department of Agriculture: | | | | | | | | | | | | |
| Passed-through State Department of Education: | | | | | | | | | | | | |
| Child Nutrition Cluster: | | | | | | | | | | | | |
| Food Distribution Program | 10.555 | N/A | 7/1/10-6/30/11 | \$ 2,966 | | | \$ 2,966 | \$ (2,505) | | \$ 461 | | |
| Food Distribution Program | 10.555 | N/A | 7/1/09-6/30/10 | 3,403 | | \$ 451 | | (451) | | | | |
| National School Lunch Program | 10.555 | N/A | 7/1/10-6/30/11 | 22,521 | | | 20,857 | (22,521) | \$ (1,664) | | | |
| National School Lunch Program | 10.555 | N/A | 7/1/09-6/30/10 | 25,143 | \$ (1,769) | | 1,769 | | | | | |
| Total Child Nutrition Cluster | | | | | (1,769) | 451 | 25,592 | (25,477) | (1,664) | 461 | | |
| Total U.S. Department of Agriculture | | | | | (1,769) | 451 | 25,592 | (25,477) | (1,664) | 461 | | |
| U.S. Department of Education: | | | | | | | | | | | | |
| Passed-through State Department of Education: | | | | | | | | | | | | |
| General Fund: | | | | | | | | | | | | |
| ARRA- Education Jobs Fund | 84.410 | N/A | 8/10/10-9/30/12 | 24,045 | | | 16,954 | (24,045) | (7,091) | | | |
| Subtotal - General Fund | | | | | | | 16,954 | (24,045) | (7,091) | | | |
| Special Revenue: | | | | | | | | | | | | |
| No Child Left Behind: | | | | | | | | | | | | |
| Title I | 84.010A | NCLB546511 | 9/1/10-8/31/11 | 23,171 | | | 12,571 | (23,171) | (10,600) | | | |
| Title I | 84.010A | NCLB546510 | 9/1/09-8/31/10 | 17,330 | (1,824) | | 1,982 | (158) | | | | |
| ARRA - Title I | 84.389 | NCLB536011 | 7/1/09-8/31/11 | 5,687 | | | | (5,531) | (5,531) | | | |
| Subtotal - Title I | | | | | (1,824) | | 14,553 | (28,860) | (16,131) | | | |
| Title IIA | 84.367 | NCLB546511 | 9/1/10-8/31/11 | 7,688 | | | 4,960 | (7,095) | (2,135) | | | |
| Title IIA | 84.367 | NCLB546510 | 9/1/09-8/31/10 | 8,390 | (2,705) | | 2,705 | | | | | |
| Subtotal - Title IIA | | | | | (2,705) | | 7,665 | (7,095) | (2,135) | | | |
| Title IID | 84.318 | NCLB546511 | 9/1/10-8/31/11 | 46 | | | 46 | (46) | | | | |
| Title IID | 84.318 | NCLB546510 | 9/1/09-8/31/10 | 173 | (36) | | 36 | | | | | |
| Subtotal - Title IID | | | | | (36) | | 82 | (46) | | | | |
| Title III | 84.365 | NCLB546511 | 9/1/10-8/31/11 | 2,200 | | | | | | | | |
| Subtotal - Title III | | | | | | | | | | | | |
| Title IV | 84.186B | NCLB546508 | 9/1/07-8/31/08 | 1,001 | | | \$ 11 | | | | \$ 11 | |
| Subtotal - Title IV | | | | | | | 11 | | | | 11 | |
| U.S. Department of Education: | | | | | | | | | | | | |
| Passed-through State Department of Education: | | | | | | | | | | | | |
| Special Education Cluster: | | | | | | | | | | | | |
| I.D.E.A. Part B, Basic | 84.027A | IDEA546511 | 9/1/10-8/31/11 | 94,093 | | | 94,093 | (94,093) | | | | |
| I.D.E.A. Part B, Basic | 84.027A | IDEA546510 | 9/1/09-8/31/10 | 92,837 | (14,157) | | 14,157 | | | | | |
| I.D.E.A. Part B, Preschool | 84.173A | IDEA546511 | 9/1/10-8/31/11 | 4,977 | | | 422 | (2,634) | (2,212) | | | |
| I.D.E.A. Part B, Preschool | 84.173A | IDEA546510 | 9/1/09-8/31/10 | 4,845 | (4,166) | | 4,166 | | | | | |
| ARRA - I.D.E.A. Part B, Basic | 84.391 | ARRA54650 | 7/1/09-8/31/11 | 85,392 | (13,790) | | 32,670 | (18,880) | | | | |
| ARRA - I.D.E.A. Preschool | 84.392 | ARRA536011 | 7/1/09-8/31/11 | 3,085 | | | | (1,387) | (1,387) | | | |
| Total Special Education Cluster | | | | | (32,113) | | 145,508 | (116,994) | (3,599) | | | |
| Subtotal - Special Revenue Fund | | | | | (36,678) | | 11 | 167,808 | (152,995) | (21,865) | | 11 |
| Total U.S. Department of Education | | | | | (36,678) | | 11 | 184,762 | (177,040) | (28,956) | | 11 |
| Total Federal Awards | | | | | \$ (38,447) | \$ 451 | \$ 11 | \$ 210,354 | \$ (202,517) | \$ (30,620) | \$ 461 | \$ 11 |

N/A - Not Applicable

**BOROUGH OF STANHOPE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

| State Grantor/Program Title | Grant or State Project Number | Grant Period | Award Amount | Balance at | Cash Received | Budgetary Expenditures | Balance at June 30, 2011 | | MEMO |
|---|-------------------------------|----------------|--------------|---------------|---------------|------------------------|--------------------------|-------------------------------|-------------------------------|
| | | | | June 30, 2010 | | | GAAP Accounts Receivable | Budgetary Accounts Receivable | Cumulative Total Expenditures |
| State Department of Education: | | | | | | | | | |
| General Fund State Aid: | | | | | | | | | |
| Equalization Aid | 11-495-034-5120-078 | 7/1/10-6/30/11 | \$ 1,110,882 | | \$ 1,002,105 | \$ (1,110,882) | | \$ (108,777) | \$ 1,110,882 |
| Transportation Aid | 11-495-034-5120-014 | 7/1/10-6/30/11 | 10,794 | | 9,737 | (10,794) | | (1,057) | 10,794 |
| Special Education Categorical Aid | 11-495-034-5120-089 | 7/1/10-6/30/11 | 188,487 | | 170,030 | (188,487) | | (18,457) | 188,487 |
| Security Aid | 11-495-034-5120-084 | 7/1/10-6/30/11 | 33,666 | | 30,370 | (33,666) | | (3,296) | 33,666 |
| Extraordinary Special Education Costs Aid | 11-100-034-5120-473 | 7/1/10-6/30/11 | 27,765 | | | (27,765) | \$ (27,765) | (27,765) | 27,765 |
| Reimbursement of Nonpublic School | | | | | | | | | |
| Transportation Costs | 11-495-034-5120-014 | 7/1/10-6/30/11 | 1,392 | | | (1,392) | (1,392) | (1,392) | 1,392 |
| Reimbursed TPAF Social Security | 11-495-034-5095-002 | 7/1/10-6/30/11 | 153,099 | | 138,529 | (153,099) | (14,570) | (14,570) | 153,099 |
| Equalization Aid | 10-495-034-5120-078 | 7/1/09-6/30/10 | 821,634 | \$ (121,540) | 121,540 | | | | 821,634 |
| Transportation Aid | 10-495-034-5120-014 | 7/1/09-6/30/10 | 18,128 | (2,737) | 2,737 | | | | 18,128 |
| Special Education Categorical Aid | 10-495-034-5120-089 | 7/1/09-6/30/10 | 191,853 | (18,829) | 18,829 | | | | 191,853 |
| Security Aid | 10-495-034-5120-084 | 7/1/09-6/30/10 | 19,967 | (3,014) | 3,014 | | | | 19,967 |
| Adjustment Aid | 10-495-034-5120-085 | 7/1/09-6/30/10 | 79,011 | (11,930) | 11,930 | | | | 79,011 |
| Extraordinary Special Education Costs Aid | 10-100-034-5120-473 | 7/1/09-6/30/10 | 51,118 | (51,118) | 51,118 | | | | 51,118 |
| Reimbursed TPAF Social Security | 10-495-034-5095-002 | 7/1/09-6/30/10 | 187,707 | (9,012) | 9,012 | | | | 187,707 |
| Subtotal - General Fund | | | | (218,180) | 1,568,951 | (1,526,085) | (43,727) | (175,314) | 2,895,503 |
| Food Service Fund: | | | | | | | | | |
| State School Lunch Program | 11-100-010-3350-023 | 7/1/10-6/30/11 | 1,062 | | 977 | (1,062) | (85) | (85) | 1,062 |
| State School Lunch Program | 10-100-010-3350-023 | 7/1/09-6/30/10 | 1,604 | (112) | 112 | | | | 1,604 |
| Subtotal - Food Service Fund | | | | (112) | 1,089 | (1,062) | (85) | (85) | 2,666 |
| Total NJ Department of Education | | | | (218,292) | 1,570,040 | (1,527,147) | (43,812) | (175,399) | 2,898,169 |
| Total State Awards | | | | \$ (218,292) | \$ 1,570,040 | \$ (1,527,147) | \$ (43,812) | \$ (175,399) | \$ 2,898,169 |

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of the Board of Education, Borough of Stanhope School District under programs of the federal and state governments for the fiscal year ended June 30, 2011. The information in these schedules are presented in accordance with the Federal Office of Management and Budget (OMB), *Audits of States and Local Governments and Non-Profit Organizations* and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net assets or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the budgetary basis of accounting with the exception of programs recorded in the Food Service Fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements. Such expenditures are recognized following the cost principles contained in federal OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governmental Units*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through identifying numbers are presented where available.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes that payments is not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. The capital projects fund is presented in the accompanying schedules on a modified accrual basis with the exception of the revenue recognition. For GAAP purposes, that revenue is not recognized until the project is completed and the final expenditure report is submitted to the School Development Authority for reimbursement.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$26,463 for the general fund and \$13,571 for the Special Revenue Fund. See Note 1D for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and the special revenue funds. Additionally, the schedule of expenditures of state awards does not include the on-behalf Post Retirement Contributions revenue of \$161,582 or the \$7,607 of TPAF Non-Contributory Insurance. Revenue from federal and state awards are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Cont'd)

| | <u>Federal</u> | <u>State</u> | <u>Total</u> |
|----------------------|-------------------|---------------------|---------------------|
| General Fund | \$ 24,045 | \$ 1,721,737 | \$ 1,745,782 |
| Special Revenue Fund | 166,566 | | 166,566 |
| Food Service Fund | <u>25,477</u> | <u>1,062</u> | <u>26,539</u> |
| Total Awards | <u>\$ 216,088</u> | <u>\$ 1,722,799</u> | <u>\$ 1,938,887</u> |

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

NOTE 5. OTHER

Revenue and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2011.

NOTE 6. NJ SCHOOLS DEVELOPMENT AUTHORITY (NJSDA GRANTS)

The District has been awarded a grant in the Capital Projects Fund totaling \$79,601 from the New Jersey Schools Development Authority (NJSDA) under the Educational Facilities Construction and Financing Act. As of June 30, 2011, the District has expended and drawn down \$-0- of the grant funds, on the GAAP basis.

BOROUGH OF STANHOPE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Summary of Auditors' Results:

- An unqualified report was issued on the District's financial statements.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District.
- The audit did not disclose any noncompliance which is material in relation to the financial statements of the District.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District's major state programs.
- An unqualified report was issued on the District's compliance for major state programs.
- The audit did not disclose any audit findings which are required to be reported under Federal OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations* and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*.
- The District was not subject to the single audit provisions of Federal OMB Circular A-133 for the fiscal year ended June 30, 2011 as federal grant expenditures were less than the single audit threshold of \$500,000 identified in the Circular.
- The District's major state programs for the current fiscal year consisted of the following:

| <u>State:</u> | <u>Grant Number</u> | <u>Grant Period</u> | <u>Award Amount</u> | <u>Budgetary Expenditures</u> |
|-----------------------|---------------------|---------------------|---------------------|-------------------------------|
| Equalization Aid | 11-495-034-5120-078 | 7/1/10-6/30/11 | \$1,110,882 | \$1,110,882 |
| Special Education Aid | 11-495-034-5120-089 | 7/1/10-6/30/11 | 188,487 | 188,487 |
| Security Aid | 11-495-034-5120-084 | 7/1/10-6/30/11 | 33,666 | 33,666 |

- The threshold for distinguishing federal and state Type A and Type B programs was \$300,000.
- The District qualified as a "low-risk" auditee under the provisions of section 530 of the Federal Circular.

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

Findings and Questioned Costs for Federal Awards:

- Not Applicable since federal expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in section 510(a) of the federal Circular and New Jersey's OMB Circular NJOMB 04-04.

BOROUGH OF STANHOPE SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Status of Prior Year Findings:

There were no prior year findings.